FEARLESS - FORWARD LOOKING - FORTNIGHTLY

The MAGAZINE of WALL STREET

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A FEARLESS, FORWARD-LOOKING, FINANCIAL FORTNIGHTLY

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THE OUTLOOK

Discounting Peace—Prospects for Industrials, Rails and Metal Stock —A Two-Sided Market.

Decline in the War Stocks

READERS of this department were not wholly unprepared for the really serious break in the prices of war stocks which has recently taken place. It has been perfectly clear all along that the big earnings estimated for these stocks must prove—even if they are transmuted successfully from paper estimates to actual cash—of a temporary and ephemeral character.

These corporations will not long continue to earn from 25 per cent. to 100 or even 300 per cent. on their common stocks—the last figure being the current estimate for the earnings of Bethlehem Steel common. They will not long earn such phenomenal profits because that result would be contrary to the long-tested laws of business. Excessive profits soon bring increased competition and higher costs.

At present the ordinary laws of competition do not apply with full force because of the exceptional conditions, yet they do apply to some extent. The Allies are bending every effort to meet their own requirements for ammunition and war supplies by home manufacture; and in America there has been, in spite of the recognized temporary character of the war business, a great enlargement of our capacity for turning out the class of goods so strongly demanded.

Discounting Peace

IN a general way it is probably safe to say that the war stocks have nearly, if not quite, finished discounting the profits which are expected from the war business, and are now beginning to discount peace. The correctness of this view of the situation is not in the least interfered with by the fact that there are so far no definite indications of peace. It is the natural and customary thing for the stock market to discount coming events even before they begin to cast their shadows before.

To put the matter in another and perhaps clearer way, the point of keenest war demand, and therefore the point of highest prices for war stocks, is probably past. The war may and probably will continue for many months to come. But the money resources of the Allies are becoming somewhat reduced and they are manufacturing more of their needed war supplies and munitions at home.

It is probable that by next spring England will have nearly reached the

summit of her fighting strength. When the war began, England had a navy so big as to overshadow all others, but almost no army. For a year and a half she has been straining every nerve not so much to raise as to equip an army, and in doing this she has called upon our factories for all the assistance they could possibly render, and has paid them big profits to warrant them in embarking upon this temporary class of work. By spring her army will be pretty well raised and equipped and her own capacity to supply munitions will have been very greatly increased. Even if the war continues for a long time, therefore, her demands upon us are likely to be much smaller.

Our shrewdest—and therefore in most instances our largest—investors, foresaw the big war demand more than a year ago and bought the stocks of companies which could help in meeting it. Prices of such securities rose several hundred per cent. At that level war profits were evidently discounted to a great extent, if not entirely. Hence these same shrewd investors began to look forward to peace just as they had looked forward to the war demand and to take their big profits while they were still there to be taken.

This, from our viewpoint, is the principal explanation of the decline in the stocks of the "war babies."

Other Industrials

WHILE the same argument does not apply so strongly to industrials outside the war section of the list, it does apply in a lesser degree to nearly all of them. Almost all the industrial issues have been stimulated, either directly or indirectly, by the war demand. To appreciate this fact it is only necessary to run over the list of prices of industrials and compare them with the prices of July, 1914. Gains have been general and liberal. The unparalleled prosperity of the companies directly engaged in the war business has gradually spread itself to other lines of manufacture.

It is probable, therefore, that the "cream is off" the rise in most industrial stocks.

Railroad Stocks

THE rails are in a somewhat different position. They have risen considerably. as a result of better business conditions and low money rates, but they have had no such sensational advances as have been recorded by many industrials.

It is noticeable that during the recent severe reaction in the war issues the rails have yielded but little. This is because there has been no such over-extended bull position in the rails as in the industrials.

It is only within the last three months that railroad earnings have begun to reflect the growing general prosperity of the country. It is quite possible, therefore, that still higher prices may be seen for railroad stocks.

It would, however, be foolish to ignore the special obstacles which American railroads have to face. One of the most serious of these is the great difficulty—we might almost say the impossibility—of raising rates to correspond with rising costs of operation. This has recently been emphasized by the refusal of the Interstate Commerce Commission to permit an increase in lake and rail rates to correspond with the small increase granted in all-rail rates. Higher all-rail rates will be of little help so far as through business is concerned, if the lake and rail routes are to be permitted to get the lion's share of the business. As for the commission's ruling that, in accordance with the recent act of Congress, the roads must get rid of their lake steamers, it is not likely that this will hurt the roads much, as they never obtained much profit from this branch of their business.

The problem of rising costs is likely to become a serious one during 1916. Prices of materials have been bounding up to figures that are in some cases positively startling. During the period of low prices the roads were unable to expand in preparation for the bigger business which must come some day, because their

profits were not large enough to encourage investors to supply the necessary money on reasonable terms. Now that the big business has come in an unexpected form and at an unexpected time, the roads need more of almost everything that they use in their business, and if they buy it they must pay the market price.

Labor costs have not yet risen much, but that they will do so in 1916 seems practically a certainty. Employees will wish to share in any increase of income, and in view of the rapid rise in the cost of living they will have an excellent argument. Everybody, in fact seems to have a satisfactory argument for higher pay for services rendered, except the railroads, in the opinion of the commission.

Therefore, while the general position of the railroad stocks is encouraging, it will not do to become too enthusiastic about their prospects for higher prices.

The Metal Stocks

THERE is nothing to prevent the steel and iron companies and the producers of copper and other metals from advancing their prices to correspond with increased demand and rising costs of operation. And while the Allies may manufacture their own munitions to an increasing degree, they must continue to buy from us the materials needed for the purpose. The metal stocks are therefore in a position different from that of either the rails or the other industrials.

It is also probable that the foreign demand on our metal industries will continue for a time at least after peace has been declared, owing to the necessity which will then exist for reconstruction and reorganization before the ordinary pursuits of peace can be resumed throughout Europe.

The position of the metal stocks and the stocks of companies working the metals but not in the war order class, is therefore involved in considerable doubt. On the one hand, we have had very sharp advances in metal prices. Steel and iron have risen nearly 50 per cent. since the war began, and most of the rise has been recorded since last summer. Iron production and the orders of the U. S. Steel Corporation are at or near new high levels. Copper has doubled in value since November, 1914. Other metals have in many cases risen much more. Metal manufacturing companies generally are sold ahead for at least six months and many are now refusing orders.

Such conditions are apt to mark the approaching climax of a boom. But money rates give no indication of any such climax. Commercial paper, which rose above 8 per cent. in 1907, and 6 per cent. in 1912 and 1913, is now a drug at 3 to 3¼ per cent.

We conclude that the stocks of the steel, copper and other metal producing or manufacturing companies have better prospects for a further advance than other classes of stocks. It must be borne in mind that the time to sell copper and steel stocks is when those metals are high in price—and it would certainly be conservative to take profits on a part of holdings even of these issues, in view of the big advance they have scored; but the war has brought an unusual demand for the metals and it would certainly seem that there need be no haste in disposing of stocks which are shored up by such an unprecedented consumption of the products of their companies.

A Two-Sided Market Probable

PRICES have now reached a plane where much of our present prosperity has been discounted. It is doubtless too early to become emphatically bearish, but it is a time for caution. The recent action of the war order stocks has amply demonstrated the possibility of falling prices even under conditions of the greatest general prosperity.

The year 1915 afforded few sharp declines for the investor who sought to buy cheaply. In this respect it is likely that 1916 may present different characteristics.

Peace and Prices

Have We Had General Prosperity?—What Will Happen to the "War Boom" When War Ends?

By PAUL CLAY

WHAT would happen if the war should end? This is the question which springs to the lips of everyone whenever there arises the least sign of peace. It need not be immediate peace to give importance to this question, for as soon as the European powers begin to see a prospect of an end of the war, they will cease their American orders to a large degree, and produce their own munitions and supplies so far as possible during the remainder of the conflict. To the investor, then, and still more to the speculator, this question will have its maximum importance, not at the signing of the treaty of peace, but rather six months to a year prior thereto.

It is customary in discussing such a question to don a cloak of the most delicate modesty fringed with mystery, paraphrase some of the prophecies of the Delphic oracle, and bring forth two-sided statements which cannot help being true whatever the actual events may prove. However, it is the purpose of the writer to make a definite statement of what is likely to happen, and to be either right or else absolutely wrong.

When Business Is on Peace Basis

When the war ends, business will naturally get back to a peace footing. This of course is so self-evident that the mere statement seems insipid; but with experienced business men who are ordinarily hard-headed, talking as though the usefulness of munitions plants, and the high war prices of certain commodities would endure after the conflict—it is necessary to repeat some axiomatic truths. In the early days of the conflict we heard a great deal about the destruction of capital and the impoverishment of nations caused by these conflicts; but now it is the fashion to talk about the boom in business based upon European buying which is to occur after the war. The destruction and impoverishment have been forgotten, and it appears to be assumed that the gold with which Europe is to do this buying will fall down out of the battle clouds of smoke like manna out of heaven.

What the war has done for American business may be seen in the accompanying tabulation.

The steel prices are the averages for eight leading types of commercial steel; and all the figures marked R signify that business has been going on at the given rate during some month or months of 1915. Many items are of necessity estimated, and some of these are the ammunition output of the United States and the profits of various industries. Bank exchanges are the average daily figures for September or October, and commercial failures are the year's totals. The stock prices cover both railroads and industrials.

With these figures before us it is perfectly easy to see what the war has done for American business. First, it was largely instrumental in producing the severe business depression of the latter half of 1914. That depression represented a readjustment of our industries to war conditions; and the readjustment consisted of ceasing or curtailing the products of peace and adapting our output to the war needs of Europe. After the adaptation was complete which was not until about April, 1915, business began to boom. This business, however, was and still is, sharply divided into two classes or kinds. First, there is the business of supplying the everyday needs of the American people, and second, there is the business of catering to the war demands of Europe. The first kind or type of industry is even now no better or more prosperous than usual, and the boom is confined entirely to the second kind of business.

Spotty Prosperity

No one can point to a single large American industry with the possible exception of the automobile business, that is now enjoying real prosperity based upon purely domestic demand—a demand which has not been created or greatly increased by the war. The automobile industry has prospered since the 1907 panic in good years and bad regardless of general conditions, and has done so because of the rapid improvement in the mechanism of automobiles, the consequent rapid fall in prices, and great increase in popular use. This industry proves nothing then, in regard to the effects of war upon general business.

30, 1915, were far below normal, and the net earnings of the roads of the United States taken as a whole are even now slightly below normal.

Agriculture is prosperous, but no more so than usual. This industry prospered even in 1911 and 1913 when other business was poor. Indeed, taking the entire industry for the whole United States, its prosperity is now somewhat below normal, because of the low prices for cotton in the south. Correspondingly, bank exchanges in the agricultural sections are showing no extraordinary gains. Wholesale and retail merchandise trade outside of the big manufacturing and export centers, is merely ordinary, and even in these cities with but few exceptions it is not extra good. As a whole, it does not exceed normal for the entire United States.

Exceptional prosperity is in short confined to those localities and industries which have benefited by the war orders, or by the big export trade which the war has produced. It was the war that put steel prices up $10 a ton, and increased our pig iron production to a rate of 36,000,000 tons yearly as compared with a previous high record of 31,000,000 tons. It is the war that put copper up to above 20 cents as compared with normal prices of 14 or 15 cents. It was the war that in-

WAR'S EFFECT ON BUSINESS

Item	1913 Normal	1914 Depression	1915 Boom
Steel prices, average	$31.85	$27.27	$41.00
Iron output, tons	30,724,101	23,049,752	36,000,000 R
U. S. Steel earnings	$137,181,344	$71,663,615	$160,000,000 R
Copper prices, electrolytic	15.269c	13.160c	20.13c R
Copper Co. profits (est.)	$64,200,000	$36,830,000	$107,700,000 R
Ammunition output	$29,000,000	$40,000,000	$225,000,000 R
Ammunition Co. profits	$5,800,000	$8,000,000	$70,000,000 R
Bituminous output, tons	478,688,867	419,547,599	503,000,000 R
Railroad coal traffic, tons	311,142,117	272,700,000	330,000,000 R
Merchandise exports	$2,484,018,292	$2,113,624,050	$3,500,000,000 R
Export profits	$250,000,000	$210,000,000	$435,000,000
Net railroad earnings	$957,195,208	$806,915,600	$945,000,000
Bank exchanges	$586,118,900	$398,488,800	$773,011,300
Commercial failures	$265,800,000	$335,950,000	$203,000,000 R
Stock prices	$98.33 Aver.	$81.64 Low	$116.83 High
Bond prices	$86.602 "	$79.75 "	$83.28 "
Commodity prices	$9.2248 "	$8.6566 "	$10.3794 "

The Railroads

Some will say that the boom in railroad business is purely domestic; but in the first place there is no boom, and in the second place the now prosperous roads have derived their prosperity almost without exception from the war. The most prosperous are the soft coalers, and these are totally indebted to the war. The huge increase in their soft coal traffic is due directly to the demand for coal for producing munitions and manufactured goods for export, and the increase in manufactures and merchandise is also due to this export business. Furthermore, railroad earnings for the fiscal year ended June

creased the estimated net profits on our export trade from $250,000,000 in 1913 to a rate of $435,000,000 per annum at the present time. So was it the war that put stock prices up from an average of $98 in 1913 to an average of $117 now.

When the War Ends

Now when the war ends, these exceptional prices and profits are bound to disappear. Steel prices are practically certain to come down an average of about $8 per ton, and copper to fall 6 to 9 cents a pound. Our export trade will certainly shrink to or below normal, as Europe will no longer have government financing with which to pay for her imports. A government can buy whether its people are poor or not through issuing bonds and imposing extra taxes; but the peoples of Europe when the time comes that they have to pay their own bills, will certainly buy less than they did before the war.

End of Munitions Profits

The end of the war unquestionably means the end of war profits. For one thing, it means that our ammunition output will decline from about $225,000,000 a year to about $30,000,000. The chances are that the gross output of ammunition will then be less than half as large as the yearly net profits made now from producing ammunition. A fall of $5 a ton in steel prices will decrease the yearly net earnings of the Steel Corporation by about $65,000,000, and probably wipe out the net earnings of some of the new and inflated steel companies. There is nothing in the wide world to keep steel prices up after the war. The producing capacity of the steel plants of the United States is 30 to 50 per cent. in excess of the combined domestic and export demand; and partly because of this growth or producing capacity steel prices for the past ten years have shown an almost continual downward trend. American buildings, factories and industries have been practically reconstructed from steel, and the per capita consumption of this commodity began to decline several years ago.

Profits on our export trade considered as a merchandising prosition, and excluding the manufacturing profits contained in the price of the goods, are about 10 per cent. in ordinary times. Now, however, they may fairly be estimated at 15 per cent. This, upon the present volume of business, means yearly net profits of $435,000,000, as compared with less than half of that last year, and with about $250,000,000 in ordinary times. Hence the return of peace will almost cut our export prices in two no doubt.

In brief, if the war should end, or when the war ends, it will be necessary to go through another readjustment of our industries—a readjustment comparable to that of 1914. We then had to discontinue on a considerable scale the production of peace products and substitute the production of war products; but after the war we will have to reverse the operation.

When the war ends we should expect to lose about $1,000,000,000 of export trade and also about $1,500,000,000 or more of domestic trade which depends directly or indirectly upon the war. This loss is equivalent to approximately 8 per cent. of the gross yearly business of the entire people of the United States; and 8 per cent. is quite enough to make the difference between the present prosperity and mild depression. Perhaps the depression, instead of being mild, will be severe, as it was in Great Britain after the end of the Napoleonic wars, and for two years after the American Civil war.

Outlook for Security Prices

As to security prices, there does not seem to be the least room for doubt. There is one, and only one, factor which has made the 1915 bull market. That factor is war profits, or profits derived indirectly from the war. When these profits disappear prices must inevitably come back to a peace basis. Precisely when they will come back is a more difficult question; but come back they must. If the war should end, then, there would end with it the war profits of industrial companies and some railroad companies; the war prices of iron, copper and other metals, and also the war prices of stocks.

Sugar Beet Field Ready to Harvest

What the Underwood Bill Did and What the War Undid to the Company

By BARNARD POWERS

FROM the American Beet Sugar Co. to Napoleon Bonaparte is a far cry. Yet the stockholders of the American Beet Sugar Co. have occasion to be thankful that the little Corsican ran his startling career, for on March 11, 1811, he dictated a note to his Minister of the Interior which said in part:

"The Minister of the Interior will make a report to be sent to the council of state, in which the advantages of developing the manufacture of beet sugar will be included. All steps shall be taken to encourage this culture, and if necessary by modifying the customhouse tariff for a period of five years, or even the possibility of prohibiting absolutely the importation of colonial or foreign sugars. The Minister will take steps to make trials in a very extensive manner and to establish schools for teaching the manufacture of sugar. . . . The Minister will also advise the cultivators that the growing of beet roots *improves the soil* and that the residue of the fabrication *furnishes an excellent food for cattle.*"

Bonaparte's scientists discovered that by alternating beets with cereal crops, the yield of cereals was increased nearly two-fold—a discovery destined to revolutionize methods of tillage, establish modern methods of agriculture and add more to the wealth of the world and its ability to maintain population than has any discovery before or since.

Growth of Beet Sugar Industry

Abroad the cultivation of beets and the manufacture of beet sugar has been carried on for many years, but in this country the industry dates from 1830, when two Germans named Vaughn and Ronaldson, made unsuccessful efforts in Philadelphia to produce sugar from beets. Eight years later one David Lee Child erected a small factory near Northampton, Mass., which he operated for one season. He succeeded in producing a small quantity of sugar and was rewarded with a silver medal by the Massachusetts Charitable Mechanic Association.

The industry was a long time in getting started in this country, but of late years its growth has been rapid. In 1912-13 the Department of Agriculture estimated that 120,000 persons were engaged in beet growing and total expenditures of the campaign for that year were placed at $62,700,000.

Company's Early Days

The American Beet Sugar Co. was incorporated in 1899 in New Jersey. Its plants are situated at Oxnard and Chino, Cal., Las Animas and Rocky Ford, Colo., and Grand Island, Neb. The combined capacity of owned or leased plants is 6,100 tons of beets

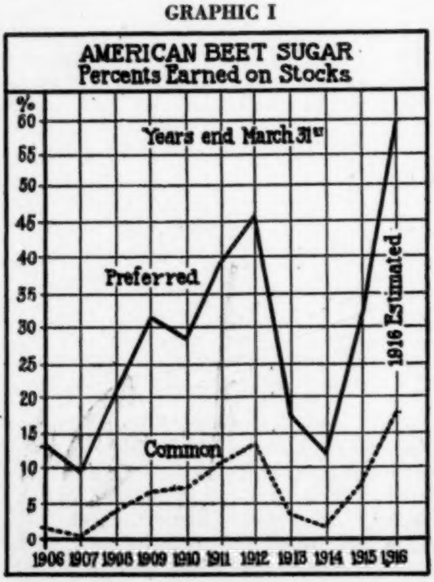
daily. From the first the management had two ideas in mind, first, to develop the beet growing industry in the United States and second, to place the company in a strong financial position. That they succeeded in the former is shown by the steadily increasing acreage of beet plantings each year, and in the latter by the fact that the company has now no funded indebtedness and its working capital has increased from $721,902 in 1910, to $3,566,595 at the time of the last annual statement. By the end of the current year working capital should have further increased largely as no common dividends are now being paid. American Beet Sugar's output in bags of 100 pounds is given in the table herewith, covering the years for which production have been reported.

AMERICAN BEET SUGAR'S PRODUCTION
Year Ended March 31
(Bags of 100 lbs.)

1916 (est.)	1,750,000
1915	1,710,995
1914	1,812,262
1913	1,659,143
1912	1,562,949

The current year which ends March 31, should show a gain over the

GRAPHIC I



1914-15 year while plantings for the next campaign indicate a very material increase in the beet sugar output.

From the outset the American Beet Sugar Co. prospered. The business was one which dealt with a necessity of life, and under the sheltering wall of tariff protection the industry flourished. By 1911 earnings on the common stock totaled nearly 11% after ample charges for improvements and depreciation, and warranted placing the common on a 5% quarterly basis. In the year ended March 31, 1912, common earnings were equal to 13½%, and then came the cloud across American Beet Sugar's sun. The democrats, after their long lean years of waiting, came into power and promptly celebrated their victory by passing the Underwood Tariff Bill.

The Tariff and Sugar

Without going into a tedious analysis of this bill, it is sufficient to say that it was so framed that by May 1 of the current year sugar was scheduled to go on the free list. The decline in the prices of raw sugar which followed the passage of that bill was more the result of apprehension than actual realization of unfavorable conditions. The two fiscal years which followed, 1912-13, 1913-14, were scanty ones for the company. Earnings on the common stock shrank to 3.87% for the former period and 2.30% for the latter. For a while it looked as though the sugar industry was doomed..

Then came the cataclysm of the world's war, as unforeseen and unforeseeable as the reduction in the tariff, and as a result not only changed the outlook for the company as thoroughly as the Underwood Bill had done, but at the same time seems likely to remove the causes of the company's depression. The shutting off of the great German and Austrian beet sugar production caused a world-wide shortage of sugar and sent the price of sugar as high as 7½ cents a pound. At this writing sugar is selling at about 5.75 cents a pound, having come down from a high of 6.15 cents for this year.

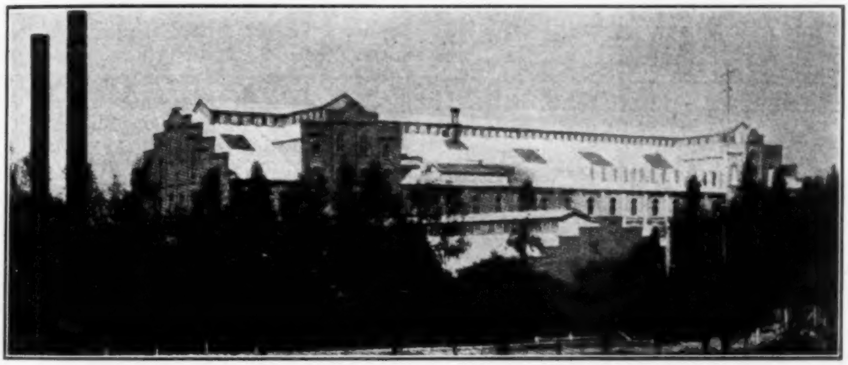
What might be termed the average price of sugar in normal times, is something like 4½ cents a pound. It is expert opinion that the price of sugar for the remainder of this year will remain in the neighborhood of 6 cents a pound, and high prices for sugar for some time to come after the war are likely to prevail, since it will be several years before the warring nations which produce beet sugar will be able to bring their output back to normal levels.

What the War Did

The decrease in imports and consequently in import duties occasioned by seems likely that this session of Congress will consider a bill repealing the section of the Underwood Bill which provided for free sugar on May 1, 1916. And it is quite likely that such a bill will pass as it would come under the head of a party measure.

Present Earnings

While a dollar a hundred is less than the former protection afforded the beet sugar industry, it is infinitely better than no protection at all and action by Congress, therefore, in favor of maintaining the present tariff would be of vast importance to the American Beet Sugar Co.



Amer. Beet Sugar's Largest Plant at Oxnard, Cal. Daily Capacity 3,500 Tons of Beets

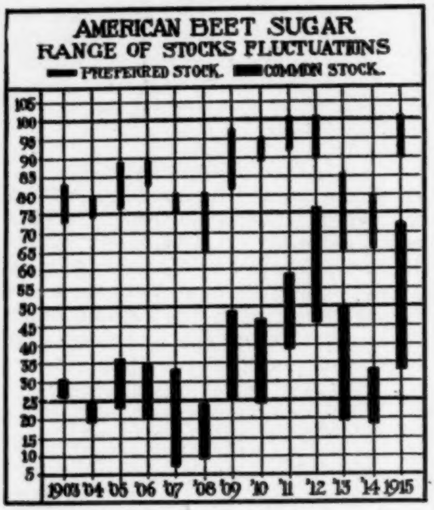
the war brought about a falling off in revenues to the United States and made it necessary to cast about to find some means of making up the deficiency. In addition the preparedness program which this country is entering upon, calls for hundreds of millions which must be raised either by direct or indirect taxation. In his message to Congress President Wilson mentioned a duty on sugar as one method of increasing revenues and the general opinion now is that the Democratic leaders have abandoned as untenable the free sugar program. Secretary McAdoo has recommended that the present tariff of $1.00 a hundred pounds be maintained on sugar, and it is understood in Washington circles that the President has acquiesced in the Secretary's proposal. Therefore it

Meanwhile the company is experiencing one of its best years in its history, thanks to war prices for sugar. Earnings on the preferred are at the rate of 60% while the balance on the common is at the rate of 18% per annum, as shown in Graphic 1. That the stocks of the company have not discounted present earnings marketwise is shown by Graphic 2, which brings out that, notwithstanding record earnings, record stock prices have not yet been reached.

Investment Position of Stocks

The large margin of earnings on the preferred would seem to warrant that being placed in the class of a good investment. The speculative feature, which is the reason that the common is selling approximately ten points under

GRAPHIC II



the high price of 1912, lies in the uncertainty of the tariff outlook. No matter how certain sugar seems of receiving tariff protection, there is always just that chance that at the last moment free sugar may be decided upon.

The question of the tariff is of vast importance to the American Beet Sugar Co. With that vital point settled in favor of the company and the sugar industry on what appears likely to be a secure and very profitable basis for several years to come, it would appear that both classes of the company's stocks should sell considerably higher. Until the tariff question is settled, however, the common stock at least should not be regarded as other than an attractive speculation. It goes without saying that when the free sugar section of the Underwood Bill is repealed the common stock will be in line for something in the way of dividends, as the company has ample working capital and is in a good financial position.

Dignity of Saving

Who ever heard of a property owner becoming an anarchist?

A bank account, even a few dollars, makes all the difference in the world in the outlook of the individual.

Let a man or a woman save a few hundred dollars and observe what a quieting effect it will have upon sentiments previously revolutionary.

Saving adds to one's feeling of independence and conduces to dignity and self respect.

Fortified from the cruel necessity of taking any job which offers in order to get enough to eat, the man with a bank account can pick his opportunity and build his career according to his native abilities.

Opportunty knocks at least once at every door, it is said.

It is the man who can *afford* to take a legitimate chance who wins his way up in the world.

Many a bright brain is smothered under a load of daily deadening detail because the owner has accumulated no reserve fund to tide over the first hard days which are the usual story of every new enterprise.

John D. Rockefeller is an apostle of saving.

The habit of saving he formed early in life has never left him. He still saves his nickels while his gifts to charity and public-spirited enterprises sometimes exceed the hundred million mark.

If he had not *saved* in the first place and *kept on saving* through life he would not have had hundreds of millions to give away for the benefit of the world at large.

The Boom in Motor Stocks

Has the High Point Been Reached?—Danger of Over-Production—Outlook for 1916

By G. C. SELDEN

THE story of the automobile industry during the last three years reads more like a tale from Arabian Nights than like the ordinarily prosaic history of business development. It is only 22 years since the first workable self-propelling road vehicle in this country was built by Elwood Haynes. It was several years after that before the manufacture and sale of automobiles began, so that the industry today can hardly be said to be more than 15 years old.

A dozen years ago the total production of the country was about 20,000 cars. The number of cars now in use is approximately 2,000,000 and the production of 1916 may exceed 1,250,000. If 250,000 cars are "scrapped" during the year, this would leave 3,000,000 cars in use at the end of 1916, or about one car to every seven families in the country.

When you run over in your mind the various kinds of people there are in the United States and the very large proportion of those who have small incomes, who are wage-earners or small farmers—the number of negroes and Indians, the mountain whites of the South, the small farmers of New England, the ill-paid factory workers, the poor of our great cities—you can scarcely imagine how one family in seven can *get,* not to say afford, an automobile, and still less can you conceive how all these families can maintain their cars after they have them.

But this is not the whole story. The average motor car is used by somebody, though not necessarily the first owner, for four or five years. If production is to be maintained on a basis of 1,250,000 cars a year, that means that about 5,000,000 cars will be in use, or approximately one to every four families. We are warranted in asking ourselves whether this rate of production can be maintained.

Causes of the Phenomenal Increase

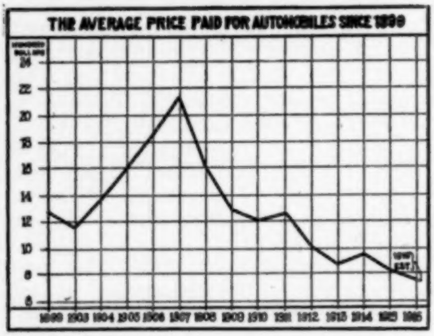
The most important cause of this wonderful development lies in the great improvement in the mechanical construction and performance of the modern car. This has been progressive. Even five years ago the majority of cars were little more than expensive toys. They could, perhaps, furnish one year of fair service; the second year they could be kept running with considerable care and attention; the third year they were just about "all in." The result was that the cost of maintaining a car, if the item of depreciation was reckoned, was simply appalling to all except the wealthy. It was a common saying then that nobody ever would buy a car if he stopped to reflect on the item of depreciation.

There has been a great change in this respect. The proportion of the cars manufactured that can be depended upon to give satisfactory service for several years is now very much larger, and the performance of all cars is beyond all comparison with that of even three years ago. Improved carbureters and magnetos, more accurate construction, decrease in weight, greater flexibility, self-starters and electric lights, better tires and greater ease of adjustment, have made the car of today one of the modern wonders of the world. A clumsy method of gear-changing seems to be about the only mechanical crudity left, and even that is well on the way to being overcome in some of the high-priced cars.

The second important cause is found in the reduction of prices. The average price of cars sold in 1915 was $811,

against an average of $2,123 in 1907. Such a reduction has naturally resulted in a wonderful broadening of the market. The automobile is no longer a luxury, no longer an expensive toy. It has taken its place as a part of the necessary machinery of living and in a majority of cases is made to earn its keep, directly or indirectly, just as a horse would be made to do.

Since the war began, two minor causes have contributed to the increased sale of cars. The first and more effective is the great advance in the price of horses which has resulted from the European demand. Buyers have scoured the country for animals suitable for use in the war. The search



is still going on, and horses are being accepted now that were rejected a year ago, because of the increasing scarcity. The rise in price has been more than fifty per cent., so that a good pair of horses now costs as much as any one of several of the lower-priced makes of automobiles.

The result of this is that hardly any one now buys horses for pleasure driving and for business use they are being rapidly superseded by automobiles and trucks. The farmer, especially, has been almost forced into the car market. On a farm every horse is a part of the working capital. When a moderately good pair can be sold for money enough to buy a thoroughly practical light car, the farmer sits down with his pencil and paper and begins to figure on the cost of depreciation, gasoline and tires as compared to the expense of hay, corn, oats, increasing age and chances of accident or injury to the horse, the time saved by the higher speed of the car, the more distant markets which can be reached, etc.

After figuring this up a tremendous number of farmers bought cars in 1915.

The war has also brought a great growth in exports of cars, especially of trucks. The value of all motor vehicles exported in 1915 was not far from $100,000,000. The increase over 1914 amounted to about 90 per cent. for passenger cars and 625 per cent. for automobiles trucks.

Prospect for 1916

Apparently all the above causes will continue operative during 1916. While there are no startling changes in the models of this year as compared with last, they are certainly somewhat better. The average of engine efficiency is undoubtedly higher, the appearance of many of the low and medium priced cars has been improved, and there has been a general reduction in weights.

The latter point is especially important, for if this country is to digest over 1,000,000 new cars in 1916 a very large part of them must be sold to country users who have to contend against mud, hills, sand and bad roads. The Ford has amply demonstrated the fact that light weight and the high frequency engine are almost a necessity for continued country driving in all sorts of weather. Both these features will be found in a greatly increased number of cars this year.

Prices have been again reduced from the 1914 level. Whether they can be reduced further in the face of the rising cost of the materials that enter into the construction of a car, is an unsettled question. A few makers of high-priced cars have already raised their prices because of increased costs. Labor cost will also increase, but this will probably be more than counterbalanced by more efficient machinery and the economies that naturally accompany larger-scale production.

As yet there are few if any indications of the end of the war and so long as it continues there will be no

let-up in the foreign demand for our cars and our horses. In fact, the price of horses may be expected to reach still dizzier heights, for it takes longer to increase the production of horses than of cars, and war permits only a short and arduous life for the horse.

To maintain the automobile industry on the scale now planned for 1916 approximately 1,000,000 new buyers must be found in addition to the normal demand for cars to take the place of those that are worn out.

This may be possible. Indeed, if everything goes well, if our present prosperity continues for another year —as it seems likely to do—such a large sale of cars to new users is perhaps even probable. But it certainly seems very doubtful whether that scale of production can be maintained permanently without such a reduction in prices as would put many of the smaller and newer companies out of business and would cut a big slash into the profits of even the biggest and strongest companies. After allowing for a further liberal increase in exports, it would mean that one family in every five in the United States must permanently maintain a car.

Public Appetite for Motor Stocks

When the public shows a willingness to buy a certain class of securities, those securities are, naturally enough, supplied to it. Demand soon brings a supply even in the commodity or metal markets and the response is even more immediate in the stock and bond markets.

In 1915 the public woke up to the Aladdin-like growth of the automobile industry and hastened to buy motor stocks. High and low prices for 1915 for the common stocks of the four automobile companies whose issues are listed on the Stock Exchange were as follows:

	High	Low
General Motors common..........	558	82
Willys-Overland common	268	87
Studebaker common	195	35¾
Maxwell common	92	15¼

These soaring prices have brought a good deal of new financing. Up to 1915 the motor companies were "plowing in" their big earnings in the form of increased facilities and the public knew little and cared less about the value of the stocks. In 1915 the following companies increased their stock issues: Studebaker, Willys-Overland, Reo, Cole, Interstate. There were also smaller sales of stocks by several other companies.

There was a series of refinancing announcements by companies which had previously been close corporations. Among them were: Chevrolet, Chandler, Saxon, Peerless, Hupp, Chalmers, White.

There is also more or less talk about mergers. For example, the Chevrolet company, capitalized at $20,000,000 and having an output of about 185 cars a day at an average profit of $75 each —which if maintained would yield 20 per cent. on the stock—is considering taking over the control of General Motors, a $30,000,000 corporation making 10,000 cars a month at an average profit of over $200 each. W. C. Durant, the perennial optimist of the automobile trade, controls Chevrolet and is the largest stockholder in General Motors, having bought his holdings very much below current prices.

Every old hand at the game knows that these are usually the phenomena of a culminating market for any class of stocks. Why are the owners of these exceedingly profitable motor companies so ready to let the public in? It is, in a word, because they have already made big profits and the future is uncertain. The future of their companies may fulfil the rosiest of predictions—they hope so, of course, for their investment is still very large. But they figure that "a bird in the hand is worth two in the bush," especially when it is such an exceedingly large, fat and juicy bird.

Present Status of the Business

It must be admitted that present conditions in the automobile industry could not well be more cheering. The recent New York shows, for example, gave the pessimist no comfort. The display was bigger and better than

ever before. Over 300 models were exhibited, at prices ranging from $385 to $12,500 each. The crowds were greater than ever and more cars were sold.

Present earnings on the leading motor stocks are almost miraculous. At current prices and production they are about as follows:

General Motors common	100% plus
Willys-Overland	50%
Studebaker common	30%
Maxwell common	30%
Chevrolet	20%

Something like half of Studebaker's earnings must be credited to war profits but the other companies have received but little direct benefit from the war.

There are, however, some elements of doubt to be taken into account. For instance, we have seen that the biggest demand in 1916 is likely to be for low-priced, light-weight cars. General Motors now has no car priced below $795, which is charged for the small Oakland six. But the Cadillac and Buick are very popular cars and may keep the earnings up.

Willys-Overland is planning a production of 200,000 cars in 1916 against 90,000 in 1915, and of these 100,000 are scheduled to be of the new $615 model. Meantime the 35 H. P. Overland has been reduced to $695. Can 100,000 of the small cars be sold at this slight difference in price?

Studebaker, like General Motors, does not make the low-priced, light car that is most popular in the country sections. The Maxwell company does and its great success has been won by sticking to this one model; but the profit on each car is relatively small and there will be a much closer competition on this type of car than in previous years. There are now about 450 different manufacturers of cars and trucks in the United States.

Time for Caution

No one can say, of course, that the expectations of the trade will not be fully realized for 1916, but the following conclusions seem clear:

(1) Present prices for motor stocks are high enough to discount a very prosperous year.

(2) Present big earnings on these stocks are unprecedented and may prove exceptional and temporary.

(3) There is a large element of "good-will" in the capitalization of several of these companies.

(4) The possible ending of the war introduces uncertainty into the situation.

(5) On the scale of operations planned for 1916, the industry is headed for eventual overproduction.

Under such circumstances it is likely that more owners of motor stocks may make the mistake of holding on too long than of selling too quickly. Many investors now have big profits in these issues. If they take their profits they may, it is true, be annoyed by seeing the stocks sell higher; but it would not be surprising if at a still later date they should have cause to congratulate themselves on having seized a good market and high prices when they were at hand.

At any rate, that seems to be what the "insiders" in the automobile trade are doing, judging from the stocks they are supplying to satisfy the public appetite.

Outlook For 1916

The outlook for 1916 is rosy indeed. With money plentiful and business opportunity beckoning on every hand; with capital and labor working hand in hand as partners in prosperity, with both political parties fearful of hampering the forward march of prosperity by hurtful legislation, the country is due for a period of industrial and commercial expansion on a large scale and a continuation of present business activity that promises to be prolonged far beyond the final settlement of the war in Europe.—Gilbert Eliott & Co.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

Judge Gary—Pessimist?

PROBABLY no one was more surprised than Judge Gary himself when his recent public utterances were construed as bearish. Undoubtedly it was merely the intention of the Chairman of the Steel Corporation's board to sound a note of warning to a country proceeding too rapidly.

The Street refuses to take Judge Gary's statement as merely a conservative word of warning. The consensus of opinion in the financial district is summed up by the New York World:

Wall Street is still puzzled over the alarmist statement of Chairman Gary of the United States Steel Corporation given out last Wednesday. For while the statement was full of "stop, look, listen," the Corporation's announcement next day of a 10 per cent. increase in wages had no stop, look or listen about it except as concerned an enormous prosperity which ought to be shared with the workers.

New York bankers are puzzled. For while Judge Gary spoke of a "great inflation," they point to vaults gorged with gold reserves and as cheap a money market as was ever known to prove the absence of inflation.

Judge Gary's colleagues on the Steel board are said to be puzzled even to the point of causing dissension among themselves. Finally, Judge Gary himself is said to be puzzled in a way. He intended the statement to be optimistic and the markets accept it as pessimistic.

There are many who flatly disagree with the chairman of the largest corporation. Among them are Theodore Price, the cotton expert and economist, who summarizes the views of this faction in the following observations:

It is not clear, however, that Judge Gary is right in concluding that peace will diminish the world's commercial and financial activity. The precedents are all against him. Great disasters have invariably been followed by great business activity. This was true in the case of the Chicago, Boston and San Francisco fires and of every great war in the nineteenth century. In so far as there is any record of their economic effects it seems also to have been true of ancient wars.

The psychological reaction of peace is hope and the economic reaction is industry.

Hopeful industry and reconstruction must follow war, as the day the night, else progress would cease and men would perish from the earth, which is unthinkable.

* * *

Railroad Presidents' Views Differ

THERE is a decided variation of opinion among the railroad heads as to the outlook for 1916. In its annual business review of 1915 the New York American has tabulated expressions of opinion by heads of some of the country's leading roads and we quote in part therefrom:

President Underwood of the Erie says:

"Railroad gross earnings for ensuing year depend on three things: First—A continuance of traffic engendered by affairs in Europe. Second—Good crops; and Third—Continuing ability of people (including corporations) to spend money."

Pres. Ripley of Atchison:

"The railroad outlook for the first half of 1916, if present conditions continue, is for a year as large as, or larger than, previous years. The uncertain features are: what will the crops of the country be, and, what will be the war situation?"

Pres. Thomas of Lehigh Valley:

"If the war continues in Europe, it is highly probable present level in railroad earnings will be maintained; but if the coming year should

BY GUM! SPROUTIN' TO BEAT THE BAND.

see a cessation of hostilities, we must face a general readjustment which may cause a considerable reduction.

"I do not think net earnings can continue to show increases."

Pres. Willard of Baltimore & Ohio:

"Railroad outlook is more encouraging than a year ago. Certainly railroad earnings in eastern part of the United States must be considered generally satisfactory at present."

* * *

1915 Manipulation in Stocks

LAST year will always remain noteworthy for the tremendous rise in prices on the New York Stock Exchange, says the *Financial Chronicle*. As might be expected, the *Chronicle* takes a none too optimistic view of this rise:

So far as the rise concerned the industrial stocks and was based on supposed huge profits from war orders, it was mainly the result of speculative manipulation. It will take many years of very exceptional profits to justify the extreme figures to which many of the war stocks have been boosted.

Below we bring together some general statistics for 1915 and 1914, affording an interesting contrast between the two years. The data for 1915 are necessarily largely estimates, as the year has only just closed.

HANGING 'ROUND AGAIN.
King—Harrisburg (Pa.) Patriot.

Future of Oil Stocks

HAS the effect of present and future prosperity in the oil industry been discounted by the recent rise in oil securities, is a question seriously considered by oil investors, says the

GENERAL STATISTICAL SUMMARY FOR TWO YEARS

	1915	1914
Coin and currency in U. S. December 31	**$4,401,988,000**	**$3,972,373,686**
Bank clearings in United States	**$187,759,076,986**	**$155,245,118,234**
Business failures	**$302,286,148**	**$357,908,859**
Sales at N. Y. Stock Exchange....shares	**173,145,203**	**47,900,568**
Imports of merchandise (11 months)	**$1,619,586,684**	**$1,674,619,456**
Exports of merchandise (11 months)	**$3,191,659,975**	**$1,867,991,492**
Net imports of gold (11 months)	**$387,005,280**	***$169,206,554**
Railroad gross earnings (11 months)	**$2,816,756,262**	**$2,731,375,211**
Railroad net earnings (11 months)	**$911,460,735**	**$753,643,320**
Railroad constructed....miles	**§933**	**§1,532**
Wheat raised....bushels	**1,011,505,000**	**891,017,000**
Corn raised....bushels	**3,054,535,000**	**2,672,804,000**
Oats raised....bushels	**1,540,362,000**	**1,141,060,000**
Cotton raised....bales	**†11,161,000**	**†15,966,000**
Pig iron produced....(tons of 2,240 lbs.)	***est.* 30,000,000**	**23,332,244**
Lake Superior ore shipments by rail....(gross tons)	**46,318,804**	**32,021,897**
Copper production in United States....lbs.	***est.* 1,647,000,000**	**1,533,781,000**
Anthracite shipments....(tons of 2,240 lbs.)	**66,382,218**	**68,342,061**
Coal of all kinds....(tons of 2,000 lbs.)	**(?)**	**510,000,000**
Petroleum production (whole U. S.)....bbls.	**291,400,000**	**284,000,000**
Immigration into United States....No.	**‡260,000**	**688,495**

***Net exports. †Agricultural Department's estimate, which does not include linters. ‡Partly estimated. These are the arrivals of immigrant aliens. The net arrivals of all aliens in 1915 were about 45,000, against 262,853 in 1914 and 1,017,957 in 1913. §Estimates of *Railway Age Gazette*.**

Petroleum Age. The writer would not hesitate to answer in the negative. While the advance has been pronounced from the low levels of the year, in only a few instances have the high levels which prevailed during the prosperous period of 1913 been attained.

* * *

"Fly in the Ointment"

I BELIEVE that in the year to come or until the war ends and for six months thereafter, this country will have the finest business in its history.

But there is a fly in the ointment. It is that we are liable to overdo it. That is, we are apt to get up on a basis that will be hard later to drop down from. We are going at a pace now that is on too high a plane. When all Europe cease to buy from us at war prices, we will be short of customers to buy our goods.

As sure as the sun shines, when the war is over the European nations will go from their fighting to their shops, and in a short time will be flooding our markets at prices that will make us sick.—R. D. Graham, President Grand Rapids Trust Company, Grand Rapids.

* * *

Deflating the War Stocks

THE war stocks went up in 1915 on enormous transactions, which in the cases of Baldwin Locomotive and Crucible Steel amounted to a volume 18 or 19 times as large as the total stock outstanding, observes the *Boston News Bureau.* War stocks have latterly been declining, likewise on heavy transactions. Crucible's quotation has been halved since September 29 last when it sold at 109⅞. Recently a new low on the reaction of 54¼ was touched.

The extent of the recession in 14 prominent war stocks can be seen in the following table, which likewise shows the number of times the capital stock was turned over in the bull market of 1915:

	1915		No. times cap. stk. sold in 1915	Recent low	Dec.
	Low	High			
Allis-Chalmers..	7¾	49⅛	10	25¾	23⅜
Am. Car & Fdy.	40	98	7	65	33
Am. Loco.	19	74¾	9	60¾	14
Am. S. F'dries.	24⅛	74½	4	55	19½
Baldwin Loco..	26⅝	154½	19	105⅛	49⅜
Beth. Steel	46¼	600	10	415	180
Colo. Fuel	21¾	66½	6	46⅛	20⅜
Contin'tal Can..	40¼	127	4	79	48
Crucible	18¼	109⅞	18	54¼	55⅝
Lacka. Steel ...	28	94¾	3	80	14¾
N. Y. Air Brake	56½	164¾	5	143	21¾
Pressed Car ..	25	78¼	9	56	22¼
Ry. Steel Sprg.	19	54	3	38	16
Studebaker	35¾	195	8	152	43

"Higher Taxes and Money Rates"—J. J. Hill.

IN an interview obtained by Herbert Corey for Boston *Globe,* James J. Hill is quoted:

The one thing we may be sure of when the war ends is that taxes will be higher. Money rates also will be higher, for one thing. We will face a more persistent competition. There may be a spurt in business during the period of readjustment. No one can definitely say what will happen next. There has never been a situation just like this. We have no past experience by which to measure.

We must remember that comparison with post-Civil War events may prove misleading. Then 70 per cent. of our population was engaged in agriculture. Now not more than 35 per cent. are so engaged. An industrial community is more responsive to shock than a land of farmers. Europe will make any sacrifice to get her markets back.

We should have a merchant marine. Unless we have ships we cannot compete.

To build up a merchant marine we need just an even chance with foreign ship owners. The American ship owner can compete successfully with any foreign ship owner if just given a chance. He cannot win if asked to carry a handicap.

I believe in a ship subsidy if the foreign ship is paid one. Not under other conditions. The American needs no more subsidy than is needed to put him on even terms with the foreign owner.

A TICKLISH MOMENT.
Darling, in Des Moines Register and Leader.

The Dangers in War Orders

TWO of the great problems which must be solved if the United States is to make the most of its present opportunities—the financing of foreign trade and the problem of educating men to carry on such trade—are given considerable attention in the first annual report of Dr. Edward Ewing Pratt, Chief of the Bureau of Foreign and Domestic Commerce. Dr. Pratt says:

European war orders doubtless are bringing to some manufacturers immediate and large profits. They do not in any way, however, indicate permanent business. It is conceivable that they may be positively injurious by diverting the attention of our manufacturers from foreign markets in Latin America, the Far East, Africa and Australia, to which we should at the moment be directing our most earnest efforts. We may be voluntarily giving up our greatest opportunities. We may be foregoing the permanent markets of the world to make a few extra dollars of immediate profits.

* * *

"No-Par Stocks Sound Idea"—F. L. Stetson

THE New York *World* can always be depended upon to take a fall out of Wall Street. But there is always a disadvantage in attacking an opponent on the latter's territory, unless the attacker is as sure of his grounds as the attackee. Our morning contemporary is admittedly not an authority on financial matters, and this, in time past, has led to some rather ludicrous errors. In accusing Wall Street of issuing stocks without par value to evade the Federal War Revenue tax the *World* has drawn the fire of no less an authority than Francis Lynde Stetson, the eminent lawyer, from whose letter we quote briefly:

The editorial "Why They Love Wall Street So," seems to have been written without full recognition of the essential purpose of the New York statutes (Laws of 1912, chapter 351) or of the New York practice permitting the issue of shares of corporate stock "which have no par or face value"—in other words, what is commonly known as "stock without the dollar-mark."

For more than twenty years I have devoted my unremitting efforts to the adoption of this law upon strictly ethical grounds—namely, the desire to avoid what in the editorial is termed "the inflation of capital." The very object of the measure was to avoid inflation and misleading representations. The principle was that no representation should be made as to the value of shares, and that there should be issued to the public certificates only of ratable interest, or aliquot parts, in the property of the corporation, regardless of value.

One sentence of the editorial is as follows: "For as the new shares are given no face value, no one who buys them at any price can complain of being misled by the issuers."

SOMEWHERE IN MEXICO.
Cesare—New York Sun.

* * *

"Business Outlook Good"—James B. Forgan

IN an annual statement to the press, James B. Forgan, president of the First National Bank of Chicago, sums up the results of the last year and the outlook for the future:

Present conditions and the trend of general business lead to the conviction that a period of business expansion has commenced which will last so long as the European belligerent countries can find the means of settling for our exports to them by shipping gold, returning our securities or arranging with us for deferred credits.

The immediate business outlook is therefore very good. What conditions may prevail after the war or when the war may end no one can foresee.

The expansion of business and credit now

underway must sooner or later be followed by reaction and contraction. When this takes place the efficacy of the protection afforded under the Federal Reserve system will be tested and it is my belief that it will not be found wanting if the State banks doing a commercial business will only look ahead, rise to the occasion and assume their share of responsibility of preparedness by joining the system now.

* * *

Some Expert Opinions

Hayden, Stone & Co.—We feel that the hesitancy has added considerably to the technical strength of the market, and it is also a fact that the backbone of the great advance of last year—ease in money—still exists.

We think it well to remember, however, that operations today are being conducted at a high level of prices, and however strong the situation may seem to be, the prudent man will see that his commitments are not too much extended under such conditions.

Henry Clews & Co.—Current railroad earnings are more satisfactory than for many months. Nearly all mining and metal industries are phenomenally active, and the shares of these concerns have often witnessed sharp advances based upon their exceptional prosperity. As a whole, the outlook is decidedly encouraging, but it is recognized that present prosperity may be of a somewhat transient character, therefore more or less prudence will have to be injected into excessive financial operations extending into the future.

Richardson, Hill & Co.—Now that the whole country is becoming a great hive in industry, with confidence truly spontaneous rather than lacking or forced, the question naturally arises whether sentiment errs as much on the side of confidence now as it did in the opposite direction a year ago.

National City Bank.—Although the war business is a large factor in the present state of activity, it is smaller relatively than six months ago, and conditions in this country are now favorable to a much larger volume of domestic business than at present can be handled. A better feeling exists also as to the prospects for foreign business after the war is over, not only in fields now neutral, but in some of the countries now at war. It is recognized that both at home and abroad the permanence of this prosperity must ultimately depend upon our ability to keep costs down at or about the level upon which the rest of the world will do business. If we are able to do this it is certain that our industries can be fully employed.

Knauth, Nachod & Kuhne—There are likely to be a good many promotions next year. Some are already being arranged. The copper industry will be thoroughly reorganized. Some further consolidations in the steel industry may be announced. The banks have such huge surplus reserves that it will be easy to obtain assistance for all legitimate enterprises. Gold is still flowing this way in quantity, and although the movement is not so large as it was, the indications are that it will continue for some time to come. The outlook favors further improvement in most industrial lines, with the expansion in trade which ordinarily goes with it. The first quarter of 1916 promises to be a period of unusual activity in the bond market, with fresh impetus for industrial enterprise.

Adams in the Boston News Bureau.—Big interests are again in control of the stock market and there will be no reaction of moment unless they permit it. This edict, I may add, went forth from the powers that be to their immediate friends about the time Steel surged to within a fraction of the 90 mark. It meant that the capitalist-operators who made millions by sensing before the crowd the real import of the new banking system and our colossal exports, had resumed their activities on the constructive side of things. It implied also that in the unsettlement of the last few months the bull leaders and investors and forward-looking independent speculators had recouped in the aggregate a great quantity of stocks.

A. A. Housman & Co.—The speculative road is fairly well equipped with danger signals for the discerning traveler. Steel tonnage, pig iron production, railroad earnings, bank statements, ordinarily tell us whether the road is clear or whether we should proceed with caution. The duration and aftermath of the war necessarily overshadow all other factors in present day calculations. The likelihood of a peaceful settlement of the submarine controversy with the Central powers seems daily more certain. Through the censor there come signs of weariness and distress but not one positive word about peace. The longer the war continues, with its consequent destruction, commercial competition from Germany or the Allies becomes more remote. To enable our manufacturers to meet possible disastrous competition at the close of the war, Congress should give its attention to a revision of certain of our tariff schedules. The party which promises to give us this needed protection will have a decided advantage at the polls next November.

Alfred H. Ebert & Co.—The most "bullish" factor in the present market is the re-investment of about $350,000,000 in dividends and Bond interest now being distributed. Most of this is in the hands of investors ready to replace it in the market, though a great deal was invested by way of commitments before the dividends were disbursed.

The current year should show handsome profits to investors that take advantage of the uncertainties arising from time to time in the International situation.

Hartshorne & Picabia.—The stock market has reached a stage where operations in the war stocks are extremely dangerous. With political complications increasing, much discrimination must be exercised in purchasing.

New High Records Continue

Metal Prices Rise Sharply—General Business Very Active

THE condition of the banks throughout the entire country continues to be one of almost unexampled ease and money rates are stagnant at a very low level. There is no indication of any change in this respect for some time in the future. It is due to the rapid accumulation of capital in this country and to the reduction of reserve requirements under the new Federal Reserve Bank system. The influence of neither of these factors is as yet exhausted.

Funds are now returning from the interior in large volume, as is usual at this season. This movement brought over $14,000,000 cash to the New York banks last week alone and more will doubtless come.

Metal prices have risen very sharply but as yet show no indication of having reached their limit. Copper at 24 cents is close to high record figures for many years, but few in the trade would be surprised at a further advance. The war demand is, of course, chiefly responsible and the copper producers are making hay while the sun shines.

The price of iron quoted below is for No. 2 Southern at Cincinnati. Still higher prices are the rule at Pittsburgh and Philadelphia. In this industry the domestic demand is the big factor, in spite of the heavy demand for the manufacture of munitions for export. Domestic requirements show no sign of any let-up. Our consumption of iron has been below normal ever since the panic of 1907—or at any rate most of the time since that date—and for that reason it is now difficult to assign probable limits to domestic requirements. The chances favor a further rise in the price.

Activity is now spreading into every line of trade and business men are generally optimistic. The rapid rise of prices has stimulated production and labor is more fully employed than at any time since 1907.

An interesting point in connection with our export balance is that shipments of foodstuffs are beginning to fall off. For ten months up to October our exports of breadstuffs overaged about $45,000,000 a month, but beginning with November a decided drop was observable. Our trade balance is kept up, however, by the heavy movement of munitions and war manufactures.

The beginning of the war was followed by a temporary paralysis in all lines. Then the first demand was for our foodstuffs and this was followed by the call for munitions. Probably Europe has now accommodated itself to the new conditions created by the war so that the demand for foods may have passed its maximum. It is probable that the demand for our munitions will later follow a similar course.

Exports of cotton also are falling off as compared with a year ago, although the price is higher as a result of crop reduction and better domestic business.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits, New York Clearing-house Banks.*	Per cent. Loans to Deposits, New York Clearing-house Banks.*	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.
January, 1916	3¼	5	16.5	92.0	10.92	.....
December, 1915	3⅓	5	17.0	92.0	10.65	3,500
November, 1915	3⅛	5	17.7	91.5	10.38	3,371
January, 1915	4	5	18.7	99.7	9.14	2,800
" 1914	4½	4⅜	27.0	98.0	8.88	2,623
" 1913	5	5	26.3	99.2	9.49	2,747
" 1912	4	4⅜	27.4	96.6	8.95	2,581

*Affected by the new Federal Reserve System.

	Total Bank Clearings of U. S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thousands)	Business Failures, Total Liabilities (Thousands)
December, 1915	20,302	7,971	....	....	......	......
November, 1915	19,382	7,553	Im. 57,320	Ex. 166,825	43,031	17,696
December, 1914	12,644	6,114	Im. 3,978	Ex. 130,976	23,860	34,822
" 1913	14,701	6,701	Ex. 5,499	Ex. 49,170	43,803	34,925
" 1912	15,361	6,552	Im. 10,740	Ex. 96,220	46,822	17,903
" 1911	14,225	6,113	Im. 3,712	Ex. 84,232	33,609	18,685

	Wholesale Price of Pig Iron.	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co. Unfilled Tonnage (Thous'ds)†.	Price of Electro. Copper Cents.	Winter Wheat Condition.	Babson's Bond Average.
January, 1916	$18.00	.....	.....	24.0	....	91.4
December, 1915	17.13	3,203	7,806	20.2	87.7	91.8
November, 1915	15.85	3,037	6,165	18.9	....	91.2
January, 1915	12.40	.....	.....	13.6	....	89.2
" 1914	13.88	1,516*	3,836*	14.2	88.3*	92.5
" 1913	16.95	1,983*	4,282*	16.5	97.2*	96.0
" 1912	13.25	2,782*	7,932*	14.1	93.2*	97.9

*December. †Last day of mo.

BONDS

Why You Should Transfer Securities to Your Own Name

Importance of Being an Owner "of Record"—Dangers of Loss, Theft and Forgery—What Happens to the Careless Security Owner—Rules to Follow

By ROBERT L. SMITLEY

THE old saying that "Possession is nine points of the law," was and is never more applicable than in the case of owners of stocks and bonds. There are few, however, who realize just what "possession" means in this case. The fact that one may have the actual securities in his safe deposit vault or have his broker's account show him to own such securities, is not nearly so determinate a meaning of the word as when the securities are actually registered in his name and such registry appears upon the books of the company.

Whenever securities are really owned, they should, without exception, be transferred on the books of the company and registered on their face in the name of the owner.

If a controversy should occur between broker and client, the broker has the burden of proof on his shoulders in making any claim; for the company recognizes as owner only the name on its books, corresponding to the number on the certificate. If the owner neglects to have the stock transferred to his own name, the legal burden of proof rests with him. It is universally recognized that the defendant in any action, whether of a legal or merely arbitrary nature, has the advantage of the aggressor. The registration of securities, therefore, is a distinct insurance in favor of the owner, and it does not cost him one cent.

Penalty of Non-Transference

The brokerage clerk will tell any stock owner that about the most difficult feature of his work is to collect dividends for customers who have refused or neglected to have the certificates transferred. An instance recently occurred in the case of a holder of Nipissing Mines stock. A customer held two thousand shares and received it from his broker just before the dividend paid previous to that declared as of December 31, 1915. The certificates were in forty or more different names, all unknown to the present holder. The company paid the dividend to its registered holder not recognizing the real owner, because the latter had not transferred the stock. The owner realized his misfortune too late, for the company will not collect the dividends for him. The broker succeeded in collecting all except for two hundred and twenty shares. The owner of two hundred shares had disappeared in Alaska and the twenty share man could not be found at any registered address.

It should not be necessary to point out the moral in the above case. To make matters worse, the broker always charges a commission of one per cent. of the dividend when he does collect for the client. Suppose the stock had been American Tobacco which pays 5 per cent. quarterly. The loss to the owner would have been in the nature of a disaster.

Chances in Not Transferring

The chances in not transferring non-dividend stocks—that is the chances for loss—are not so great; nor do they

come often, but when they do come they are serious. An example is the case of the Wabash stocks, before the recent re-organization. Let it be supposed that Brown owned 500 Wabash common. He knew that the stock did not pay a dividend and never would, so he never bothered to have it transferred to his name. When Wabash went into the receiver class, Brown was in British Columbia, or very ill in a hospital. The company sent out announcements and the receiver sent out his plan for re-organization to the *registered* stockholders of the 500 shares, but nary a word did Brown see. In consequence, he did not pay his assessments or go into the new company and his stock became worthless. (It so happened that in the Wabash case it was cheaper for the owner to allow his holdings to pass as worthless and buy the "when issued" stock, but this may not be the case in the Missouri Pacific situation or some other. There are some non-dividend paying stocks which combine with other concerns and issue rights. Unless the owner is accustomed to scan all newspaper advertisements and to frequent brokerage offices, he stands a chance of missing a valuable document from the company, unless the stock is in his name. Recent instances of this nature are the Driggs Seabury-Savage Arms combine and the United Fruit Co. rights. How many owners of Braden Copper, who have neglected to transfer the stock, can tell just how much Kennecott or cash they are entitled to? How many holders of Guggenheim stock can tell how much Kennecott cash, Smelters, Ray and Chino they will get, or how much cash is left with the company representing equity in their stock? The importance of registering every share of stock owned in the owner's name cannot be emphasized too strongly.

Sanitary Considerations

Before leaving this phase of the subject, there is one other element which should induce every owner to register stock in his name. It is that of cleanliness and newness. A clean, new certificate, without powers-of-attorney stamped all over its back, is a much better possession than a dirty crumpled, indistinct piece of parchment, on which the reading is recognized with difficulty. This feature is an added phase of the insurance.

In Case of Death

The owner must desire to protect his heirs in case of death. Not long ago the owner of 100 shares of a non-dividend paying stock brought it to a broker for sale. He had held the stock for a period of five years, and as the stock did not pay a dividend and never promised to, had not transferred it to his own name. When the broker made delivery of the stock to the purchaser, the latter at once recognized the name in which the certificate stood to be that of one of the Wright brothers who had died some months previously.

It required many months of legal red tape to elapse before the real owner could get his money from the sale. This is but one of the pitfalls for the careless owner. If he had died also, in the above case, the complications would have been serious. Transfer the stock to your own name *at once* and sign it, in blank, on the back if you wish to make things easy for either yourself or your heirs.

In Case of Sale

A fourth kind of insurance in having stock in your name, is in the matter of the sale. There is no question then as to forgery, and no doubt as to the right of the individual, on the face of facts, to dispose of the security in any way that he sees fit to do so. It is only a few days ago that the newspapers were full of the accounts of the forgery of some Laclede Gas stock. It is easy to imagine an innocent purchaser having one of these forged certificates delivered to him on a purchase, not selling it for five years, and then having the purchaser find it to be a forgery. If he had made efforts to have the stock transferred at once to his own name, the loss, if any, would not fall upon him; for he could at once return the stock to his broker, who has ten days in which to return a "bad" belivery to the original

seller, before he can be forced to participate in any loss of this nature.

Lost Certificates

But there is a fifth kind of insurance and really a very important one: lost certificates. How much easier it is to get a new certificate from the company if it is lost in the owner's name, than if lost in someone else's name? The various corporations have different rules in the matter of a lost certificate, but in a general way they are: notification to the transfer office to have transfer stopped; notification to the various exchanges on which the stock is traded; advertisements in various newspapers, and finally a bond covering double the value of the certificate.

These rules are easily complied with in case the stock is in the owner's name. If it is not, proof of legal ownership must be rigidly established, the owner must notify the registered owner, even if he be in the trenches in Flanders, and various other legal steps must be observed in addition to the ordinary usages. It is inconceivable how any owner of stock can refrain from having the securities transferred at once to his own name after realizing the chances he takes in not doing so.

Matter of Expense

The large odd lot brokerage firms have forced the general brokerage firms to accept stock sold to them by transfer. This uses up the original sales tickets on which the revenue stamps are affixed. Unless the customer permits the broker to give his—the customer's name—to the seller, the stock will be delivered to the broker in the broker's name. If at a later date the customer instructs his broker to transfer the stock to his own name from that of the broker's, additional revenue stamps are required.

The stock exchange does not permit the broker to pay for these additional stamps, so that a second charge must fall upon the customer. It is therefore advisable for the customer, if he intends to pay for the stock, to have it transferred to his own name immediately upon information of the purchase by his broker. This is a very important feature of the brokerage work in Wall Street today but very few customers take advantage of the situation and delay in instructing the broker to use their names. If all such cash customers lived up to their duty, which duty is to their own advantage, the broker and customer would be better satisfied. This act upon the part of the customer also insures him against the so-called "bucketing" of his orders in a questionable broker's office, and insures him against any loss in case of the failure of the firm with which he is dealing.

The situation in bonds is somewhat distinct from that of stocks, because there is always a better market for bearer, coupon bonds than for registered bonds. But there is also a way for protection in bonds in most cases. Almost all issues of bonds provide for the registering of the principal only. The broker can take any ordinary coupon, bearer bond purchased and have the principal of the bond registered. The coupons remain as they were, bearer coupons. The owner may then fill out a separate bond power to cover this particular bond, and before its sale have the bond re-transferred to "Bearer," to make it a bearer bond for delivery. Bearer bonds are, by far, more negotiable than stock certificates.

There is, therefore, more reason why protection should be sought in this class of investment than in other forms of securities. Economically, a bond is a negotiable instrument, while a stock is not, but the endorsement of the stock in blank has made the stock to all intents and purposes as negotiable an instrument in Wall Street procedure. But in purely legal procedure, the bond is easier to transfer as property. There are no taxes to pay in either transferring the principal of the bond to a name or back to bearer, other than the inheritance tax in case of the owner's death. It is therefore advisable for the investor to

insure himself against forgery, theft and loss by registering the principal of his bonds.

Read Your Certificates

How many owners, on receiving a certificate of stock, read all that is printed thereon? Very few. This should never be neglected. During the recent rise in the International Mercantile Marine stocks, innumerable people sold what they thought was stock only to find out on presentation of the certificate to their brokers that it was Voting Trust Certificates which they owned. Delays therefore ensued, while the broker sent the stock to the Hudson Trust Co. at Hoboken, N. J., for exchange and the customer was compelled to pay a double Federal tax before his sale could be made.

Is your purchase callable at a price far below that at which it was purchased, as in the case of the Supulpa Oil Pfd. shares now being traded in on the New York curb? Is it a voting trust certificate? Is it only a temporary certificate exchangeable for definite certificates at a later date? Was it purchased with a syndicate and is it "Withdrawn from Sale" or not? Many an investor thinks he has something and finds he has nothing. There are today in existence Montana Power Co. installment stocks which have no value until certain contracts materialize, and these may never materialize. It is possible to deliver one of these certificates to a purchaser who thinks he has bought regular common stock. Unless he reads very carefully, he may find himself saddled with a loss. Read and understand everything printed on a certificate of stock and read every word of the body of a bond.

Some Rules to Follow

Valuable suggestions for the investor are:

(1) *Have the stock registered in your name at the time of purchase.*

(2) *Read the body of the certificate with care and understanding.*

(3) *Be sure and ask for and send in a divdend order to the transfer office.*

(4) *Register the principal of your bonds whenever permissable.*

(5) *Collect all official data sent out by the company and put it away with your security, after you have read and digested it.*

(6) *Understand the purpose and value of your rights when offered by the company.*

The above rules carefully followed, will give to you all to which you are entitled and are an insurance, without expense, against theft, loss and forgery.

Municipal Ownership of Public Utilities

By Arthur Williams
of the Edison Company, New York.

PUBLIC operation of technical utilities provides innumerable opportunities for graft and corruption. It is almost invariably a struggle between political and economic considerations, and the former survive. Political pressure brought to bear by large bodies of employees has enormous influence upon those charged with the responsibilities of government. Politics and business should be absolutely divorced. Our civic interests are best served by having as few political employees as is consistent with the essentials of good government. Bond Topics.

Re-Investing Your January Dividends

Value of Diversification—Some Strong and Weak Points of Different Kinds of Bonds

By T. S. MC GRATH

SAFETY is the first law to obey in the investment of funds, whether they are surplus going into permanent investment or temporarily idle amounts being placed to prevent a loss of interest.

Safety is obtained by the proper investment of money in securities that are sound and by diversification of the securities selected. No long time investment can be declared absolutely safe; no man can say with certainty that such a bond will be paid at maturity. The money invested should be scattered amongst several issues of securities so that if one investment default the others may offset the loss or reduce it.

The diversification should be carried further by selecting different classes of securities and securities of the same class should be selected from different locations. In other words, the principle of geographical diversification should be practiced in addition to the custom of diversifiying by kind and class.

Municipal Bonds

If municipal bonds are selected for a part of the investment, they should be of different municipalities; corporation bonds should be of different corporations and of corporations operating in different localities and depending on different fields and populations for their income.

Geographical diversification insures against all the securities owned being affected by a depression or calamity in one locality. Diversification of the kind of securities guards against the disasters that sometimes come to certain lines of business or industry; class diversification guards against troubles arising to a particular form of bond.

Of the two kinds of diversification, the geographical is the more important and the wiser. But unless good judgment and knowledge are used in picking the securities, no form of diversification can protect an investor against loss.

Many eminent authorities contend that government and municipal bonds provide an absolutely safe form of investment, and one which guards the buyer of such securities against loss of principal or interest.

Government bonds may not show any loss of interest, but they certainly do not insure against loss of principal. Any person who will look over the record of U. S. Bonds, British Consols and French Rentes, which are supposed to be the safest investments in the world, will be startled at the depreciation of principal in these securities over a period of years.

Unsafe Municipals

It must be remembered, however, that there are hosts of bond issues paraded under the name of municipals that are not municipals, that there are unscrupulous people in the bond business as well as in other walks of life, and that many a place is called a municipality when about all it has to mark it as a town, is the cross-roads saloon and a post-office.

Municipal bonds must be selected with care and good advice sought and followed in the purchase of such securities. Even then, there is no chance for any increase in the value of a Municipal bond. It will, if properly selected, be paid at maturity and should pay its interest regularly.

On the other hand, a corporation bond, whether railroad, industrial or public utility, may often be bought at a price that shows an increase as the bond grows older and becomes seasoned. A clever buyer of corporation bonds can make good profits on the increase in value of such bonds and in addition have the interest on them.

The average buyer stands a good chance for profit if he uses judgment in buying and he has splendid opportunities for making money in such issues if he will get up-to-date on data, keep his eyes open, or follow the advice of competent investment counsel.

There have been losses and defaults of both principal and interest in Government and Municipal bonds. When a salesman makes sweeping statements about the safety of such securities, regardless of kind and class, it is foolish to do business with him. There are vast numbers of safe Municipal issues and a salesman need tell only the truth about such securities. The following are some safe Government and Municipal bonds offering good returns at the present time:

Government and Municipal Investments

Anglo-French Loan	5's
City of Baltimore	4's
City of Buffalo	4's
City of Jersey City	4's
City of Newark	4½'s
City of New York	4¼'s
City of Philadelphia	4's
Dominion of Canada	5's
Republic of Cuba	5's
State of Mississippi	4½'s
State of New York	4¼'s
State of Tennessee	4½'s

In addition to these there are numerous issues of various municipalities and states of the United States. Such bonds may be purchased at a price to yield anywhere from 3% to 7%. Any of the bond houses will be glad to submit a list of such issues for your consideration. Houses that specialize in municipal issues will give you any information you desire about them.

Industrial and Public Utility Bonds

The period of prosperity that now confronts this country makes the stocks and bonds of the industrial and utility corporations desirable investments. There are great numbers of such bond issues being offered by the various dealers in these securities. The following are some good ones that can be bought at attractive prices and are a sample of what may be had:

American Can	5's
American Smelting & Refining	6's
Armour & Co.	4½'s
Baldwin Locomotive	5's
Bethlehem Steel	5's
Brooklyn Rapid Transit	5's
Bush Terminal	4's
Consolidated Gas	6's
DuPont Powder	4½'s
General Electric	5's
Interborough Rapid Transit	5's
Nipe Bay Company	5's
Northern Electric Company	5's
La Belle Iron Works	5's
Mexican Petroleum	6's
Peoples Gas & Coke of Chicago	5's
Remington Typewriter	6's
Swift & Co.	5's
United States Steel	5's

There can be no permanent prosperity in this country unless the railroads share in it. They must be allowed to earn fair dividends on their shares and the interest on their bonds, with enough over for the surplus account, to insure against disaster in the lean years that always come. The signs seem to show that the Government has come to the realization of this. However, we must remember that the politician seeks to popularize himself with the voter and that, in the last analysis, the people are responsible for the actions of the Inter-State Commerce Commission and the elected politicians.

Railroad Bonds

Caution must be exercised in the purchase of railroad bonds, but the following are some of the safe issues under present conditions:

Atlantic Coast Line	4½'s
Baltimore & Ohio	5's
Chesapeake & Ohio	5's
Erie	6's
Lehigh Valley	4½'s
Long Island Railroad	4's
New York Central	4½'s
Norfolk & Western	4's
Pennsylvania	4½'s
Reading	4's
Seaboard	6's

Investments Yielding 5 Per Cent.

By proper diversification the investor can place his money so that it will be safe and bring him a return of at least 5%. Good bonds can be selected in any of the foregoing kinds of issues and by diversifying both as to kind, location and yield, safety and good income can be insured.

Bond Inquiries

Cons. Arizona 5's

C. M. F., Utica, N. Y.—Consolidated Arizona Smelting Company has outstanding $966,000 of income 5's due January 1, 1939, convertible into stock at any time at par. There is a first mortgage outstanding of $250,000. No interest has been paid on the bonds to date. The company is probably in better mechanical and financial shape today than it has ever been before. The prospects appear to be better. However, it is impossible to say what are the present earnings or what are the prospects of the bonds paying their interest. The company claims to be producing about 500,000 lbs. of copper per month and that this will very shortly be increased to 1,000,000 lbs. per month. At present prices for copper, the company should make money, but it has been the policy, we are informed, to reinvest all profits in the property of the company.

Bonds and Bond Prices

C. R. A., Auburn, Pa.—Iowa Central 4's are a fair bond. They are a second mortgage, but also underly a general mortgage on the entire Minneapolis & St. Louis system. The company has $2,500,000 of notes maturing February 1st, and if they are successfully financed we expect Iowa Central 4's to advance in the near future. Lehigh Valley general 4's may be regarded as good and high-class bonds. Wilkes-Barre Company first and refunding 5's may be regarded as a second class public utility bond. We cannot predict the future, of course, of bond prices, but it is generally assumed that January will see rather good bond prices, so should you contemplate selling your issues you might consider doing so in the next few months.

Preferred Investments

C. C. M., Fitzwilliam, N. H.—As a good investment for your money, we suggest some of the industrial preferred stocks which give a very large yield and whose dividends are comparatively safe. We favor

Baldwin Locomotive pfd.
American Locomotive pfd.
American Beet Sugar pfd.
American Smelting & Refining pfd.
Pressed Steel Car pfd.

$100 Bonds Yielding 5½% and 6%

B. F., Monessen, Pa.—Herewith is a list of western bonds yielding 5½% to 6% in $100 denominations:

Bond	Price	Yield
Aberdeen Light & Power Co. 1st 6's, 1931	100	6%
American Public Utilities collateral trust 5's	80	6½%
Michigan Ry. Co. 1st lien 6's	100	6%
Pacific Gas & Elec. Co. 1st 6's	100	6%
Tulsa (Okla.) Corp. 1st 5's	95	5.45%

These prices, of course, are subject to fluctuation.

M. P. Consol. 1st 6's

H. E. R., Providence, R. I.—The Missouri Pacific Consolidated first 6's under the plan of reorganization proposed by Messrs. Kuhn, Loeb & Co. are to receive new first and refunding 5's in amount 110% of the old bonds. Southern Railway development general 4's are not a first mortgage bond.

Wabash Pitts. Terminal 4's

M. A. R., Elmira, N. Y.—The Wabash Pittsburg Terminal first 4's are quoted 4 to 6. It is impossible to advise regarding these securities until the reorganization is under way. The bankers have agreed to underwrite the bonds of a new company. You probably know that the holders have been assessed 30%. The possibility of receiving any return unless the assessment is paid appears to be remote. Having held the bonds so long it might be worth while to carry them a while longer until the definite plan of reorganization is adopted. The earnings of the company are said to be increasing rapidly.

Legal for Savings Banks

W. S. D., Olean, N. Y.—The following is a list of bonds legal for savings banks and trustees in New York State:

New York City bonds.
New Baltimore & Ohio 5's.
Pennsylvania general 4½'s.
Chicago, Milwaukee & St. Paul conv. 5's.
Chicago & Northwestern general 3½'s.
Chicago & Northwestern general 4's.
New York Central 3½'s.
Union Pacific first 4's.
Northern Pacific 4's.
Chicago, Burlington & Quincy, Illinois Div. 4's.

Ten Tax Exempt Bonds

W. H. W., Brooklyn, N. Y.—The following list contains the names of ten issues which are now, or may be made, tax exempt in New York State by payment of $5 per bond:

Troy City Railway 1st 5's of 1940.
Western Union Telegraph 4½'s of 1950.
Bush Terminal Buildings Company 1st 5's of 1960.
West Shore 1st 4's of 2361.
Rochester Railway & Light 1st and consolidated 5's of 1954.
New York Central 3½'s of 1997.
Lackawanna Steel 1st 5's of 1923.
Fonda, Johnstown & Gloversville 1st and consolidated general refunding 4½'s of 1952.
Columbus & 9th Avenue 5's of 1993.
Brooklyn Rapid Transit 1st refunding 4's of 2002.

PUBLIC UTILITIES

Memphis' "Great White Way"

American Cities Company

What War and the "Jitneys" Did to Earnings—The Turn in the Tide—Present Operating Results and Dividend Outlook

By MALCOLM ARMSTRONG

THAT "every lane has a turning" is exemplified in the case of the American Cities Company. For a period of about eighteen months the company had to contend with not only the economic depression in the South, but with a jitney competition in cities where it operated tractions, on a scale sufficient to daunt the heart of any public utility manager. The result was that the management was obliged to reduce dividends from a 6 per cent. to a 3 per cent basis last year, and that such action was fully warranted is shown by the 1915 earnings estimate in the graphic which accompanies this article. Earnings now, however, are very much on the mend, and the question, therefore, is not whether the present dividend is safe but whether operating profits will permit the restoration of the 6 per cent. rate this year.

Company's Subsidiaries

Without a clear knowledge of what and where the American cities' subsidiaries are, an understanding of the problems which they have to meet would be difficult. The American Cities Company, controlled through common stock ownership by The United Gas & Electric Corporation, was incorporated in 1911 in New Jersey, succeeding, by exchange of securities, the American Cities Railway & Light Co. The new company owns in the aggregate, 85.83 per cent. of the preferred and 95.79 per cent. of the common stock of the following corporations:

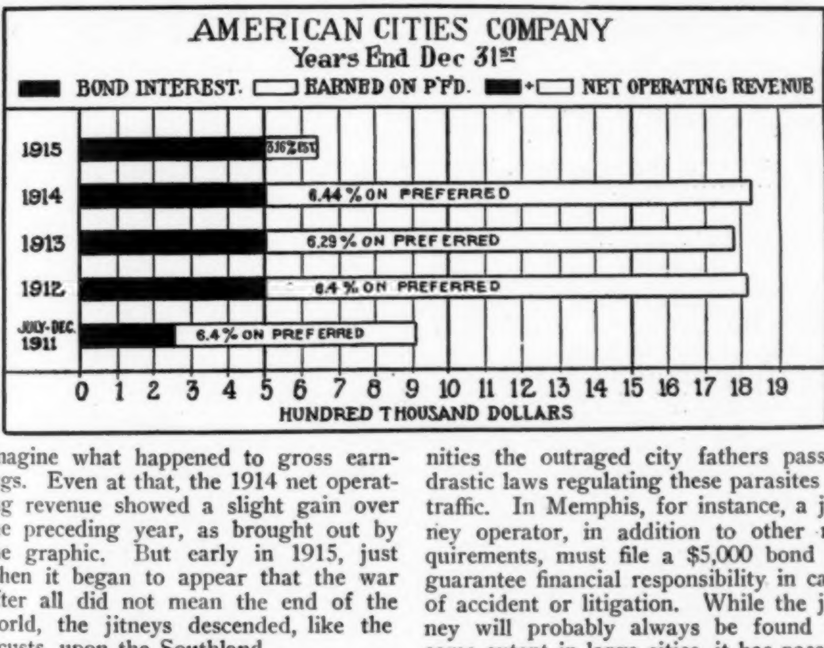
New Orleans Railway & Light Co.,
Birmingham Railway, Light & Power Co.,
The Memphis Street Railway Co.,
Little Rock Railway & Electric Co.,
Knoxville Railway & Light Co.,

Houston Lighting & Power Co.

The combined populations of the cities wherein these companies operate, is close to 1,000,000 persons. In 1913 a plan was submitted for the acquisition of a majority of the common stock of the American Cities Company by the United Gas & Electric Corporation, the latter giving $75 in second preferred and $25 in common, for each $100 par value of American Cities common.

Results of War

As all of the American Cities Company's properties are situated in the South, and as every one knows that the South was hardest hit by the outbreak of European hostilities, it is easy to imagine what happened to gross earnings. Even at that, the 1914 net operating revenue showed a slight gain over the preceding year, as brought out by the graphic. But early in 1915, just when it began to appear that the war after all did not mean the end of the world, the jitneys descended, like the locusts, upon the Southland.



Advent of the Jitney

It seemed as if events conspired to make the raid of the jitneys a success. Gasolene was cheap, selling around 11 and 12 cents a gallon, popular imagination had been fed on tales of jitney successes in other cities, and the boom in the demand for new motor cars had made used cars a drug on the market. Almost overnight the jitneys swarmed upon the streets and the clangor of their horns all but drowned the bells of the street cars. In the larger centers there were as many as three or four hundred jitneys in operation. For a while it looked dark for the traction companies, and the line of declining gross earnings resembled a bear market in the days when "Charlie" Gates used to juggle quotations in Wall Street.

But the public soon grew tired of the jitney novelty, the jitney drivers as a class were financially irresponsible, jitney cars blocked the traffic, and intensified confusion in crowded centers. Old cars soon wore out, the price of gasolene steadily advanced, and in some communities the outraged city fathers passed drastic laws regulating these parasites of traffic. In Memphis, for instance, a jitney operator, in addition to other requirements, must file a $5,000 bond to guarantee financial responsibility in case of accident or litigation. While the jitney will probably always be found to some extent in large cities, it has passed as a menace as far as the American Cities Company is concerned. But the damage it did while in its fullest development was considerable. The jitney invasion lasted about seven months and it was not until the last quarter of 1915 that the red figures of decreases in gross earning by the Cities Company's subsidiaries, began to change into black figures, indicating increases.

Capitalization and Earnings

The American Cities Company has outstanding $20,553,500 6 per cent. cumulative preferred stock and $16,264,700 common stock. It has an authorized issue of $11,000,000 5 per cent. and 6 per cent. collateral trusts, $10,000,000 outstanding, and of which $2,500,000 are due in 1916 and $7,500,000 in 1919. The margin of earnings above bond charges has been ample, as shown by the graphic, and the company has been able to earn the 6 per cent. paid on the preferred up to the time of the war and the jitney blight. There are now about 3 per cent. accumulated preferred dividends. The graphic shown with this article is predicated only on earnings paid in the form of dividends by the subsidiary companies to the holding company. As a matter of fact the earning of subsidiaries *available* for dividends in 1915 totaled about $777,000 or 3.78 per cent.; in 1914, $1,455,628, equal to 7.09 per cent.; in 1913, $1,488,617, equal to 7.25 per cent., and in 1912, $1,782,593, equal to 8.7 per cent. on the preferred stock. So that the margin of safety was greater than indicated by the graphic. There were only six months' earnings in 1911 to report so that earnings on the preferred shown in the graphic were an annual rate predicated on the six months reported.

The Matter of Rates

Like all public utility companies the Cities Company's subsidiaries have had to contend with the demand for lower rates. Those who control the destinies of the American Cities Company, have seen to it that the subsidiaries are in good financial shape. All of the properties are in excellent physical condition and no new financing is contemplated at this time, with the exception of $3,250,000 New Orleans Company notes which fall due on June 1.

Outlook for the Company

With the edge off the jitney menace and business conditions vastly improved in the South, the American Cities Company starts the new year under conditions vastly more favorable than a year ago. The trend of business conditions will govern dividend action by the directors. If business continues to improve to such a degree that the constituent companies can show the former 6 per cent. rate on the preferred earned with a satisfactory margin, the natural course would be to restore the former dividend rate, after declaring the accumulated back dividends. But while all the properties are showing earnings increases over a year ago the results are not sufficient to warrant the statement that the old rate will surely be restored this year.

AMERICAN CITIES COMPANY

Condensed Balance Sheets for Last Reported Years, Ending December 31.

Assets	1914	1913	1912
Securities owned	$46,645,364	$46,514,575	$45,778,819
Bills receivable	249,601	....	696,861
Accounts receivable	3,792	7,253	....
Adv. for expenses	242	159	91
Dep. for int. and divs	871,676	870,325	870,192
Cash	269,232	491,207	477,947
Other assets	115,346	....	....
Total	$48,155,253	$47,883,519	$47,823,910
Liabilities	**1914**	**1913**	**1912**
Preferred stock	$20,553,500	$20,553,500	$20,553,500
Common stock	16,264,700	16,264,700	16,264,700
Bonded debt	10,000,000	10,000,000	10,000,000
Amounts due other companies	148,746	....	....
Int. and divs. due	871,676	870,325	870,192
Profit and loss	291,465	194,994	135,518
Other liabilities	25,165	....	....
Total	$48,155,253	$47,883,519	$47,823,910

Public Utility Securities

as

Seasoned Investments

Why Conservative Funds Prefer Them—Their Advantages for the Individual Investor

By JOHN E. LIGGETT

OCCASIONALLY you meet an investor who looks upon public utility bonds as a more or less recent development. As a matter of fact, utility securities antedate the railroads and most of the so-called "Old Fashioned Investments."

It was as far back as 1592 that Peter Morrys, a Dutch engineer, leased an arch of London Bridge and installed there a system of water wheels of his own invention by which the water of the river was distributed through wooden pipes to a considerable portion of the city. The company organized at that time was called "The Old London Bridge Co." Another enterprise, called the "New River Company" was chartered in 1613, and a few years later absorbed its competitor. Peter Morrys' family, however, retained an interest in the new company, which they sold in 1701 for £38,000. A few years ago one share of this company sold for £614,000.

In 1809, after some twenty-five years of experimenting with gas to discover a practical way to utilize it for lighting and heating, the National Light & Heat Company of England was organized to supply gas to the City of London, and by 1819 gas was in general use in that city for illumination. In the United States the first gas company was incorporated in Baltimore in 1816. New York City followed in 1823 with the incorporation of the New York Gas Light Company. At present over 1,300 gas establishments are in operation in the United States, with an investment in the business of around $1,000,000,000.

Following the Centennial Exhibition of 1876, where the Edison incandescent light and the brush arc light were demonstrated, the development of utility companies to distribute electric current for lighting began. The competition which gas encountered in the illumination field with the entrance of electricity, was more than offset by the utilization of gas for power and heat. Both companies thrived side by side —profits in recent years, with the growth of population and industries, having been larger than ever. In fact, no other class of securities has proved more profitable to the investor.

So it is that the wide-awake investor has known about public utilities for generations, and has been buying them with great profit. Utility securities are not played up on the Stock Exchange and kept in the public eye. They get their popularity from the earning power back of them. In 1908, following the panic, and again in 1914 and 1915, following the beginning of the war, while the earnings of railroad and industrial companies were showing monthly decreases, both in gross and net, gas and electric companies actually made gains. During periods of depression lower prices for materials and labor serve to decrease operating expenses of utility companies, while contracts and fixed prices received for service prevents the falling off in gross earnings, which is experienced by other business organizations. During periods of prosperity, growth of population and new business, produce a material decrease in net receipts.

An important factor in producing this unrivalled stability of utility earnings is the principle of sociology that society struggles against any effort to lower popular standards of comfort, culture, enjoyment and do-

mestic well being. A family may go for years without electric lights, gas, telephones, etc., but once it adopts these necessities, only great financial difficulty will induce the family to dispense with them. This arises more from the fact that these devices represent an advanced social status than from any satisfaction they impart in use, which could not be dispensed with. The family has greater self-respect and a feeling of being in vogue by the possession of these conveniences and does not readily part with them. Consequently, the busines of public service corporations is constantly benefited by the momentum of rising society and the universal trend towards higher standards of life and comfort.

No investor can afford to ignore the offerings in the public utility field. Power and stability of earnings, prospects for future growth, security of principal and income, high yield and the other elements of the most desirable investments, are to be found here.

Public Utility Inquiries

Public Utility Reinvestments

E. P. H., East Greenwich, R. I.—We are familiar with both the Great Western Power Company and the Commonwealth Power Railway & Light Company. We have an impression that the Great Western Power Company has passed its crisis. We incline to the opinion that the Great Western Power Company's future is assured, and can see no objection to disposing of a Commonwealth Power Railway & Light convertible bond and re-investing the proceeds in a Great Western Power 10-year convertible debenture.

You should remember that the Commonwealth bond is convertible into 10 shares of preferred stock and 3 shares of common stock, whereas the Great Western Power debentures are convertible into only 10 shares of preferred stock. There is a possibility that the convertible privilege attached to the Commonwealth Power Railway & Light debentures should prove of more value than the convertible privilege attached to the Great Western debentures. However, you would probably make no sacrifice of safety should you decide to make the exchange.

Binghamton Light Bonds

V. J. D., Port Dickinson, N. Y.—We should consider Binghamton Light Heat & Power bonds a comparatively good investment. The issue is small and, therefore, cannot enjoy great marketability, but otherwise the bonds appear to be fairly well secured.

Utah Securities

L. G., Wilkes-Barre, Pa.—Utah Securities Corporation has the very best of people behind it. It is a holding company and was organized for the purpose of obtaining control of various public utility and industrial concerns. Earnings at the present time are estimated to be running close to 5% on the stock. It would seem to be a very fair speculation at present prices.

Southern Utilities 6's

S. M. Baltimore, Md.—Southern Utilities first mortgage 6's are a first-class public utility bond. Interest charges last year were earned three times over. The company has the best of management.

B. R. T.

W. F., Brooklyn, N. Y.—Brooklyn Rapid Transit for the year ended June 30, 1915, earned 7.4% on its common stock. Therefore, the margin of safety over the 6% dividend is not very great. It is not known just what immediate effect the new subways will have on the earnings of the system when they are opened in 1917.

Col. Gas & Electric 5's

B. J. W., Olean, N. Y.—Columbia Gas & Electric 5's must be considered a rather speculative bond. The margin of safety over interest requirements is not very large. The company's prospects look bright, however, and we are of the opinion that earnings will show improvement. The bonds can be considered an attractive semi-speculative purchase.

Toledo Traction

A. B., N. Y. City.—Toledo Traction, Light & Power's earnings at the present time are very fair and the only obstacle preventing the starting of dividends is the franchise situation. The larger part of the company's earnings come from gas, electric, light, and power. We believe that this company has good possibilities and that its securities will materially appreciate in value in the near future. Just when the franchise situation will be cleared up is still uncertain, but it is a good opinion that another year will see the matter settled.

Notes on Public Utilities

American Gas & Electric.—SUBSIDIARY co.'s earnings continue to show good increases.

American Light & Traction—ESTIMATED earnings for 1915 will show 24.65% on stock as against 22.23% in 1914.

Boston Suburban Electric.—DECLARED a quarterly dividend of $1 on pfd., payable Jan. 15. Three mos. ago 50c. was declared.

Brooklyn Rapid Transit—DECEMBER gross gained $135,000, or 5½%.

Commonwealth - Edison. — DECLARED regular quarterly dividend 2%, payable Feb. 1.

Duluth - Superior Traction — SEMI-ANNUAL dividend of 1% on common stock due Jan. 1 was passed.

Edison Co. of Boston.—DECEMBER gross earnings increased 12.16%.

Great Western Power.—SOLD to New York bankers $4,500,000 6% 10-yr. conv'tble debentures. They will be offered 96½ and interest. They are convertible after Nov. 1, 1917, into 7% pfd. stock at 95.

Laclede Gas Light.—ESTIMATED earnings for 1915 9½% on common.

Massachusetts Electric. — DECEMBER gross increased 6½%.

Pacific Gas & Electric.—CALIFORNIA R. R. commission has authorized issuance of $2,500,000 6% 1st pfd. stock and $2,000,000 5% gen'l and ref'd'g bonds. Funds are to reimburse treasury for plant expenditures already made and prospective.

People's Gas.—PROPOSES to build at cost of $7,000,000 a new gas manufacturing plant if terms can be made with Chicago over gas litigation.

Utah Securities.—DECEMBER gross earnings of subsidiary companies increased 18% and net earnings 33%. Net earnings for 12 mos. ended Dec. 31 were 14% ahead of previous yr.

Public Ownership of Public Utilities?

More and more the question of ownership of public utilities by the people becomes of moment. There is much to be said on both sides. The "popular" idea and the one which always appeals to demagogues and vote-getters is that public ownership is the modern panacea for industrial ills. Experience has proved the contrary however. Political control has always meant industrial inefficiency. The experience of those who have come in contact with workers who hold "political" jobs has been one of disillusionment. On the reverse of the shield, however, is the haughty arrogance or genial indifference of the large corporation which controls its field and fears no competitors. It is difficult to decide which is the less of the two ills. Speaking on the subject A. B. Leach, retiring president of the Investment Bankers' Association said recently:

"I believe that the most expensive, the most unsatisfactory, the most disastrous financial experiment that American cities could undertake would be public ownership of their public utilities. . . . I am sure that what the American people demand is good service, advanced progressive service, development that will keep in step with and ahead of the growth of our cities and towns. This is possible and will be for the common good, but it is not either possible or probable unless also the public service companies of this country are met in a broad, liberal, reasonable spirit by the public and the public service commissions. The investors who have placed their funds in these public service companies only ask for justice and an opportunity to join hands with the communities in which the companies are located for the upbuilding of these communities."

So far, the privately owned corporation under commission supervision appears to be the most satisfactory solution of the problem. But we are in an age of evolution and it may be that even a more adequate answer to the question may be evolved.

RAILWAYS & INDUSTRIALS

West Portal Hoosac Tunnel

The Fitchburg—Its Outlook

What Would Happen if It Were Divorced from the Boston & Maine—Are Its Dividends Secure?—Results of B. & M. Control

By F. L. FONTAINE

AS the danger of a receivership for the Boston & Maine diminishes, in like proportion do the hopes of the holders of the preferred stock of the Fitchburg Railroad increase. They see in the great improvement that has taken place in the earnings of the system as a whole, a very good chance that in the final ready readjustment their equities will be left undisturbed. What is more important, from their point of view, is the prospect that the lease as well will be left undisturbed.

Recovery of Preferred Stock

From a low point of 51 early last year, incidentally the lowest price on record, Fitchburg preferred has steadily advanced until it now sells around 76, or on about a 6 2-3 per cent. income basis. This high yield from a stock which but ten years ago sold at a point where it yielded only about 3.38 per cent., to be sure does not indicate any great degree of confidence in its investment calibre. Some argue that it is a reflection of the feeling that if the Fitchburg were cast adrift and left to operate independently it would be unable to show earnings sufficient to justify dividends at the rate of five per cent. on the preferred stock. Others profess to believe that it is simply a reflection of the poor credit of the Boston & Maine, of which system it is a part; in other words, that the credit of the lessor is not such as to give any substantial value to the guarantee. To me it appears to be a reflection of both.

Hope Renewed

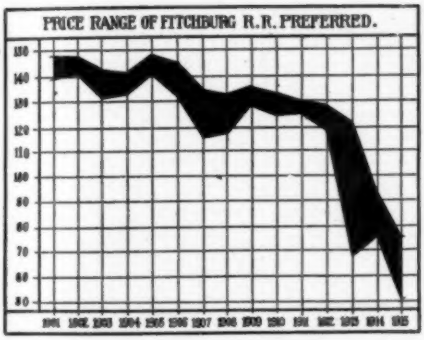
Yet on account of the improvement that has occurred in the earnings of the Boston & Maine system as a whole, there is a good deal justification for the hopes of these stockholders. As I pointed out in my article on the Boston & Maine, the stockholders of some of the leased lines must submit to a cut in their guarantee before the parent company can properly finance itself and once more attain a strong, physical and financial condition. Some of these roads are absolutely dependent on the Boston & Maine. Independently they could not earn their salt. They would be obliged to submit to a cut rather than have their guarantee go by default in receivership proceedings.

It is different with the Fitchburg. This road with about 457 miles of track constitutes over one-fifth of the total mileage of the Boston & Maine system and is a most important part of it. Through it the Boston & Maine not only originates a substantial traffic, but it is that system's gateway to the West. Unless the Fitchburg preferred stockholders submit volun-

tarily to a cut in their dividend rate, it is probably impossible for the Boston & Maine to repudiate its obligation except through a receivership. The latter, it is now admitted, is only the most remote possibility.

History and Lease

The Fitchburg Railroad was incorporated in 1842 and for years was a successful enterprise. Various consolidations took place and finally in July, 1900, the property was leased to the Boston & Maine for 99 years. Under this lease the latter obligated itself to a rental of dividends of 5 per cent. per annum on the $18,860,000 preferred stock, 1 per cent. on the $5,000,000 common stock then outstanding, and


PRICE RANGE OF FITCHBURG R.R. PREFERRED.

$7,000 per annum for organization expenses. The Boston & Maine also assumed all obligations including bonds and leases, and agreed to maintain the property and equipment. In addition it agreed to and did acquire all common stock which was held at that time by the State of Massachusetts.

That the shrewd Yankees at the head of the Fitchburg drove a hard and sharp bargain with the Boston & Maine, goes without saying. But the latter wanted the Fitchburg and paid for it. The company owns or controls about 457 miles. The principal sections are the Fitchburg division, operating between Boston and Fitchburg; the Fitchburg and Greenfield section, operating between these two places, and the section extending from Greenfield to Rotterdam Junction, where connection is made with the trunk lines to and from the West.

The company has an outstanding capital of $18,860,000 preferred and $7,000,000 common. Of the latter, $1,448,600 is owned by the company itself, and $5,541,400 by the Boston & Maine. None is in the hands of the public. It has a funded indebtedness of $26,711,000 which includes a $500,000 bond issue maturing on July 1 next, and $1,359,000 6 per cent. notes falling due in March. Arrangements have been made, however, for meeting these maturities and other floating debt. For this purpose the stockholders last September authorized an issue of $3,175,000 bonds. It is evident from these figures that the road certainly is not overcapitalized. In fact a capitalization of $65,600 in stock and $65,800 in bonds, is far under either that of the Boston & Maine proper, the Maine Central or the Bangor & Aroostook and considerably under that of the New Haven. It is only fair to state, though, that the original cost of the road was enormously increased through the construction of the long Hoosac Tunnel, which at the time it was constructed was one of the greatest engineering feats of the day. The capitalization is considerably under that of the Boston & Albany, which is leased to the New York Central.

The table herewith shows that in the nine years preceding the date of the lease, the Fitchburg earned an average of about 4 per cent. on its preferred stock. In 1894 it paid only 3 per cent., but in the other eight years dividends at the rate of 4 per cent. were received. As this shows, however earnings were fairly stable.

Now it may be argued by some that these figures go to show that if the Boston & Maine broke its lease and the Fitchburg had to operate independently, preferred stockholders would be in sore straits. As a matter of fact it proves nothing. There may be other things that may indicate a possibility that the road could not pay 5 per cent. on the preferred stock as an independent, but these figures do not for this reason. In the fifteen years during which the road has been leased there

has been a natural and steady growth in the population and industries along its lines. Thus revenues must have increased. Yet during that time the only increase in capital obligations has been an increase of about $4,000,000 in funded indebtedness.

As to what success this road could achieve cast adrift from the Boston & Maine is a very much mooted question. When Charles S. Mellen was president of the New Haven he once said that the Fitchburg Railroad did not earn its dividends; in other words, that it had been a losing enterprise to the Boston & Maine just as the Boston & Albany has been a burden to the New York Central. On the other hand, there are men in Boston, brokers who have followed the situation very closely, who assert that the company has been earning at least 7 per cent. on its preferred stock. An analysis of the figures for the years just previous to the lease together with a consideration of natural growth in earnings, would seem to indicate that an estimate half way between both would be nearer correct.

FITCHBURG RAILROAD'S EARNINGS PREVIOUS TO LEASE TO BOSTON & MAINE

	Gross	Expenses	Op. Rat.	Net	P.C. Earned on Pfd.
1891	$6,851,004	$4,917,538	71.78	$1,993,466	3.2%
1892	7,348,805	5,112,697	69.57	2,236,108	4.5
1893	7,707,298	5,542,689	71.91	2,164,609	4.1
1894	6,865,155	4,803,911	69.97	2,061,244	3.0
1895	7,237,724	4.970,766	68.68	2,266,958	4.3
1896	7,606,765	5,462,316	71.81	2,144,449	3.9
1897	7,042,454	5,856,718	68.96	2,185,736	3.9
1898	7,359,470	5,083,571	69.08	2,275,899	4.1
1899	7,647,080	5,312,555	69.47	2,334,524	4.5

Prospect as an Independent

Before the lease was made with the Boston & Maine the Fitchburg was substantially a freight carrying road. It competed with the Boston & Albany, which was then an independent, on an equal basis for through freight to Boston and received its fair share of the business of the trunk lines from the West. With the leasing of the Boston & Albany to the New York Central conditions changed. Naturally the latter discriminated against the Fitchburg on freight from the West consigned to New England. Naturally, too, as much of this freight as possible was diverted to the Boston & Albany, and even today the Fitchburg probably gets only as much of the through freight as the Boston & Albany cannot handle. It is a fact that following the lease of the Boston & Albany to the New York Central freight revenues of the Fitchburg fell off.

Adequate Terminal Facilities

It is an admitted fact that the Fitchburg has adequate facilities for entrance into Boston. There is still the old granite Fitchburg depot alongside of the North Station, now a part of the offices of the system. Then, too, under its contract the company has certain permanent terminal rights in the North Station. It is likewise believed by most people who have made a study of the situation, that the company has good connections with and access to the docks sufficient to handle its freight business. If the road was cast adrift, therefore, its success would be a matter of the traffic that it could both originate and secure from the trunk lines. The earnings of the Fitchburg are not given separately, but simply included in the system's earnings as is usual in the case of leased lines forming a component part of a system. The company gives out an income account, but it contains a mere statement of rental paid by the Boston & Maine, together with a statement of fixed charges and dividends. I have not given it here because for analytical purposes it is useless.

Interdependent on Each Other

The nub of the whole matter is that since the road has been tied up to the Boston & Maine so long it is really to the advantage of preferred stockholders to remain so. Both in a way are interdependent upon one another. The Fitchburg, because it connects with the trunk lines, offers the Boston & Maine a gateway to the West and thereby enables it to collect greater revenues. Through it the Boston & Maine derives a longer haul. If the Boston & Maine takes freight from the Boston & Albany destined for Portland, Me., its revenue mileage on that freight is only about 115 miles. On the other hand on freight coming by way of the Fitchburg and taken at Rotterdam Junction, its revenue mileage is over 300 miles. Thus strategically, the Fitchburg is important to the Boston & Maine.

On the other hand, the close cooperation of the Boston & Maine is important to the Fitchburg. It offers contact with all Northern New England points and naturally all freight destined for western points and originating on the Boston & Maine lines is diverted to the Fitchburg. Thus both are interdependent, one upon the other.

With the divorce from the New Haven the Boston & Maine needs the Fitchburg more than it has in recent years, particularly when the New Haven was interested in the Boston & Albany. Naturally, the New Haven was as much interested in the earnings of the Boston & Albany as it was in the earnings of the Fitchburg. On the other hand, the Boston & Maine's sole interest now is in the Fitchburg. There is justification, therefore, for the belief that the Boston & Maine will retain its lease on the Fitchburg if it is possible. The improvement in earnings makes it appear probable that it will be able to. Hence the possibilities in Fitchburg preferred are very good.

The graphic shows that the price of the preferred stock has gradually and steadily declined each year in the last ten years. The trend has followed the decline in the credit of the Boston & Maine. That there can be any materially immediate advance is of course highly improbable. That can only come with the improvement in the credit of the Boston & Maine. It can again become a stock of substantial investment calibre only when the lessor is again established on a sound credit basis. The point I wish to make is that the Fitchburg is an important link in the Boston & Maine, danger of a receivership for the latter can be almost said to have passed, and the chances of the present lease being retained, therefore, have been immeasurably increased.

Railroads Out of Adjustment.

"FROM one cause and another, the great piece of railroad machinery, whose efficiency is so vital to the welfare of the country, is out of adjustment. Sooner or later it will come back, but the sooner it comes back, the better for the growth of the country, and if the people can realize the seriousness of the situation, the sooner will they apply the necessary remedial measures. At the present time, there are 41,988 miles of railroad, with a capitalization of $2,264,000,000 in the hands of receivers. This is more than one-sixth of the railroad mileage in the United States, and is more than the total railroad mileage of any other country in the world, except European and Asiatic Russia combined. This is not a healthy or wholesome condition, and it is the greatest mileage of railroads ever in the hands of receivers at any one time in the history of this country."—Howard Elliott, President New Haven Railroad.

Canadian Car & Foundry

Big War Orders, But a Poorly Acting "War Stock"—The Reasons Why—What the Company Has Learned and How It May Profit Thereby

By FRED L. KURR

WHAT is the matter with Canadian Car & Foundry? This is a question that has been asked with more or less frequency by the investing public ever since the company was known to be the recipient of enormous war orders from the British and Russian Governments. Here was a company capitalized at only $20,278,429 that had orders on hand for no less than $250,000,000, and yet there were no fireworks in the stocks. It is true they advanced, but compared to the advances scored by some of the American war stocks their upward move was insignificant. In fact, the preferred in previous years has reached levels almost as high as in 1915, and the greatest year's business heretofore done was $27,000,000.

Even the statement of President Curry in October to the effect that the plants were running 24 hours a day, that production was constantly increasing in a satisfactory manner and that the company hoped to do a gross business for the twelve months ended September 30, 1916, in excess of $150,000,000, caused little enthusiasm for the stocks. This statement, by the way, was one of the most optimistic pieces of official news given out by any of the companies that went into the war order game. President Curry not only stated that gross for the year ended September 30, 1916, should be in excess of $150,000,000 but also said: "Your management knows there is a reasonable profit in all the company's business."

Possible Profits

If this statement was to be taken at its face value, it required but little figuring to make either the preferred or common stock appear to be selling far under its true value. A reasonable profit should mean at least 10% of gross or $15,000,000. There is $7,000,000 preferred stock and $3,975,000 common. Both these issues share alike in dividends after 7% has been paid on both. The preferred stock is a cumulative issue and there are 8¾% back dividends due. Fixed charges, sinking funds and ordinary depreciation and renewals should not total over $1,000,000. The 8¾% back dividends would require $612,500. Deduct both these items and there remains a balance of $13,387,500, equal to 122% on the $10,975,000 combined common and preferred stocks. If any such profit as this is actually realized both stocks are likely to be selling far above their present level of less than par.

Why was all this bullish news taken with so much skepticism? The probable explanation is that while there was no doubt in anyone's mind as to the enormously valuable contracts taken by the company, the ability of the company to efficiently handle the business as well as finance it was questioned.

A large part of the company's orders were "farmed out" to other Canadian concerns. Many small concerns in Canada were given large orders, the object of the Canadian Car & Foundry Co. being to promote as much as possible the industrial activity of Canada. These small concerns in many cases were poorly equipped to do the work, not only as regards machinery but also in the matter of capable men. Moreover on Canadian Car & Foundry fell the burden of financing many of these smaller companies.

Difficulties Encountered

It was in Canada itself that the speculative possibilities of Canadian Car & Foundry stocks were gloomed on most. Canada was first to realize the practical difficulties of the com-

pany. Several of the smaller concerns which received contracts, produced work that was not up to specifications and in many cases deliveries were not made as per schedule. It is even said that in one or two instances companies have refused to do over shells rejected by the Russian government, threatening to take the matter into the courts.

All this increased the burden on Canadian Car & Foundry. Delay in delivering shells meant delay in receiving cash from the governments for which they were intended. For some time past gossip was current that the company was in need of funds. It was first rumored that New York banking interests would do the financing. On a report that the company had been turned down on a proposed New York loan the stocks broke violently, the common selling from 85 down to 55. Then came the latest announcement of President Curry to the effect that the Russian government had agreed to advance the necessary funds. This had its good effect on the stock and led to a recovery in the common to about 80.

Shipments

The Canadian Car & Foundry Co. is now shipping shells at the rate of 50,000 a week and this total will gradually be increased to 100,000 a week. Its financial difficulties would appear to be over. There is as yet, however, no word as to how much this financing by the Russian government will cost the company in profits. It is unlikely that the Russian government would do more than its contract called for unless it were given some return benefit. It may be, therefore, that prospective profits will be somewhat lessened by this loan.

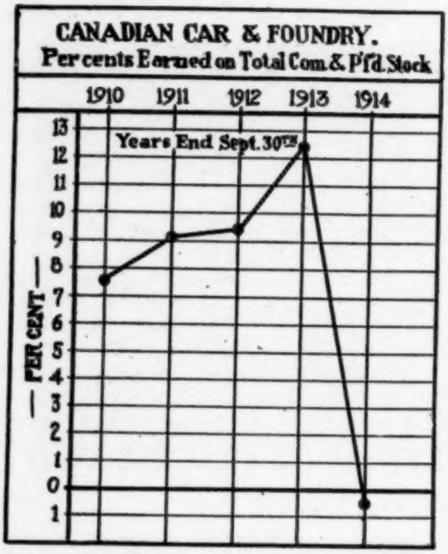
Canadian Car & Foundry Co. was incorporated under the laws of the Dominion of Canada in October, 1909, and acquired the Canada Car Co. and the Dominion Car & Foundry Co. It controls the Rhodes-Curry Co., the Canadian Steel Foundries Co., and the Pratt & Letchworth Co., Ltd. A new plant was recently constructed at Lyndhurst, N. J., which is being used for assembling and loading work in connection with the company's shell contracts. The balance sheet of the company as of September 30, 1914, showed current assets of $5,917,000 and current liabilities $1,594,000, making working capital $4,323,000. Property account was placed at $19,297,122. Profit and loss surplus stood at $1,632,270 and depreciation and reserve funds at $1,658,156.

Ready to Go to "Somewhere in France"

Dividend Record

As shown by the accompanying

graphic the company has earned substantial amounts on its common and preferred stocks in every year since its organization except the last year reported, the year ended September 30, 1914. It has paid 7% on the preferred stock since its organization up to the last quarter of 1914, when the dividend was passed, and none paid since. On the common stock 2% was paid in 1910, 4% in 1911, 4% in 1912, 4% in 1913 and 2% in 1914, none since. The company was able to pay these dividends and have enough left to build up a profit and loss surplus out of earn-



ings of $1,632,270 in the five years ended September 30, 1914. Thus war orders or no war orders the company has in normal times a good earning power, sufficient at least to pay the dividend on the preferred. Earnings for the five years ended September 30, 1914, averaged over 12% on the preferred stock per annum.

Position of the Stocks

As to the present status of the common and preferred stock it is rather difficult to form a definite opinion. The company has undoubtedly encountered difficulties in manufacturing and financing its shell contracts. It would appear, however, that most of these difficulties are now behind it. Its financing is arranged and the president of the company has officially announced that "We are now shipping on an average of 50,000 shells a week." Whether the stocks are a good speculation at present largely narrows down to one question and that is whether confidence in the efficiency of the organization is justified. No company obtained orders on more favorable terms than Canadian Car & Foundry, but bungled war orders are worse than no war orders at all.

It is the opinion of the writer that Canadian Car & Foundry has had its lesson. It will give no more work to inefficient hands to do. It is making it its business to see that companies to which it is subleting contracts are handling the work in efficient style. Mistakes that have already been made have undoubtedly been costly and caused considerable of the prospective profits from the war orders to go up in smoke, but there are still profits, very big profits left and Canadian Car & Foundry should be in a position to gather them in. The preferred stock looks particularly attractive. It is now selling under par and the lowest it sold since the organization of the company up to 1916 was 98. As shown by accompanying table, in 1913 it sold as high at 118. Of course, there is a fairly large element of risk. Just what arrangement was made with the Russian

Canadian Car & Foundry—High and Low Prices of Stocks Since Organization

	Pref.		Com.	
	High	Low	High	Low
1915	128	98	119	50
1914	109½	98	70	48
1913	118	104½	85	56
1912	116¾	102	92	60
1911	109	101	75	60
1910	103¾	98	65	58

government to finance the company is not known. If the work or deliveries are not satisfactory the former might be in a position to withdraw further financial support and leave the company close to the rocks. This, however, is rather an unlikely contingency.

Crucible Steel

A Spectacular "War Stock"—Company's Development—Equities for Common Stock — Earning Power and Investment Position

By WALTER McNAUGHTON

SELDOM is stock market sentiment so distinctly divided into two groups respecting any one stock as with regard to Crucible Steel. There are seemingly only two opinions about it; one, that it has been selling too high and that in its recent decline to below 65 it was approaching the level of its real selling value; the other, that the stock on the basis of present earnings and prospects justifies a figure of par or better.

Crucible Steel common once sold as high as 109⅞, but that was back in September, 1915, and marked a climb from the low on May 10 of that year of 18. This climb of practically 92 points in less than five months began with the prospects of the company sharing on a substantial scale in so-called war order business, and when the stock had reached the higher steps of that climb it was pretty generally accepted that the company had received war orders amounting to between $85,000,000 and $90,000,000, with profits variously estimated at from 25% to 40%. Subsequently it became rumored about that the company had not received anything like this amount of war order business and that the future heralded for the stock therefore was not justified. In the annual report to stockholders covering the company's operations for the fiscal year to August 31, 1915, the president of the company said in part:

War Order Statement

"We have taken contracts covering all descriptions of steel intended for munitions for foreign countries amounting in value to not in excess of $17,000,000, about one-half of which has been sold to domestic manufacturers. . . . Outside of business of this character, your company has been unable to secure much export business, its output being now largely confined to domestic orders emanating through the demands of foreign countries on our home customers."

This statement was at once interpreted in two different ways. It gave rise to the two groups now existent in Wall Street as to the value of Crucible Steel. By the one it was interpreted to mean that $17,000,000 measured the fullest extent of the company's special business, and as compared with the $85,000,000 to $90,000,000 volume of war business accredited to it, this meant a tremendous shrinkage. The other, the "bullish" group on Crucible, maintained that the $17,000,000 of orders acknowledged, constituted that portion only of the company's war business which was directly received by it from abroad and that there were approximately $70,000,000 of additional war orders, but which the company did not rate as war business because it came from domestic sources—such business as, for instance, the supplying of steel suitable for rifle barrels, orders for which have been sublet to the Crucible Co. against some 10,000,000 of rifles.

At any rate, until further official statements are made, it will likely remain an open question as to the amount of war order business the company has actually received. In the meantime it will be anybody's guess. The reason for the reticence of Crucible Steel officials as to the company's war orders is that the fear the company's plants might be damaged or destroyed by German sympathizers.

Crucible's Products

Crucible Steel is engaged in the manufacture of the highest grades of steel produced and it controls about 80% of the output of these grades in this country. At present there is an

unprecedented demand for steel for high speed machine tools and this grade of steel has advanced, in consequence, from about 75 cents per pound to $3 per pound and over. Certain other grades made by Crucible Steel have advanced from $38 per ton to $160 per ton. Because of these enormous increases in the value of its steel products, Crucible Steel is now obtaining much higher prices for its shells than it did when the first war orders were taken. It is understood that the company's first price on shells was $3.85, that shortly afterward this price was advanced to $15.50, and some time after that to $18, with the present level ranging somewhat above that figure.

The fact that Crucible Steel is in 80% control of the market for the high grades of steel, places it in a position to practically name its own prices for its products. This assures to the company a large steady volume of home business and really makes the company independent of war business, for its prosperity. The company is now making every pound of tool steel that is possible, and profits are estimated to be running in excess of $1,000,000 per month by interests in touch with the company's affairs. Prices, as already indicated, have advanced enormously, but there has been no such accompanying advance in the cost of labor. The latter commodity has not advanced more than between 4% and 5%, and therefore is still a somewhat negligible factor in advancing manufacturing costs.

TABLE 1

INCOME ACCOUNT—CRUCIBLE STEEL CO. OF AMERICA 1909 TO 1915

Year	Total Net Income	Fixed Charges	Surplus for Divs.	Pfd. Div. Rate	Amount Pfd. Div.	Surplus for Common	P.C. on Common
1915	$5,220,911	$634,112	$3,073,750	...	....	$3,073,750	5.39%
1914	1,624,525	609,486	1,015,039	7%	$1,750,000	734,961*	....
1913	5,206,372	300,486	4,905,886	7%	1,750,000	3,155,886	12.84%
1912	3,671,674	246,678	3,424,996	7%	1,750,000	1,674,996	6.81%
1911	2,729,766	172,248	2,557,518	7%	1,730,277	827,241	3.37%
1910	3,549,345	13,663	3,525,682	†7⅝%	1,802,192‡	1,733,690	7.43%
1909	2,024,926	10,000	2,014,926	5½%	549,821	1,465,105	5.24%

*Deficit.

†Extra Div. ‡In addition there was paid from surplus on June 30, 1910, 10% dividend in 3% interest-bearing scrip ($2,443,650) on account of accumulated dividends.

The Problem of Tungsten

One of the largest factors is the heavy curtailment of supply of the principal element in high speed tool sheets, namely, tungsten. Tungsten is obtained from Wolfram ore found mostly in India. Much of this ore used to come to the United States from Germany, but with the advent of the war this supply was cut off, and to make the situation worse, Great Britain ordered an embargo placed on the export of tungsten. Great Britain controls about 50% of the world's output of tungsten, which is estimated at 10,000 tons. High speed tool steels contain 15% to 20% of tungsten. On account of the high prices now paid for tungsten, there has been a good deal of new development work in Colorado and adjoining states, but only a relatively small amount of tungsten has been developed so far out of these fields. Two years ago tungsten sold at about 65 cents per pound, a price which compares with the present figure of $7.50 to $8.50 per pound. Another factor in the advancing manufacturing costs is the big increase in price for scrap steel which enters largely into the manufacture of tool steel. Scrap steel is selling now as high as $17.45 a price which compares with $10.75 a year ago.

Enlargement Program

Crucible Steel has under way a large building program. It is putting the finishing touches to a new plant at Harrison, N. J., which cost altogether

about $3,000,000. This plant is designed primarily for work for the United States government. At Syracuse the company has in course of construction a new steel plant known as the Syracuse Crucible Steel Co. So far only the buildings are on the ground but the furnaces and equipment for the manufacture of tool steel are likely to be put in during the early part of the current year. General extensions and improvements to the company's various plants in the Pittsburgh and Eastern districts were made during 1915, including a new machine shop of the Crescent Works, additional equipment in the Park Works, an enlarged heat treating plant at the La Belle Works and a new 20-inch cogging mill at the Atha Works. The 1916 program in all probability will exceed that of 1915 in size and costs.

The Crucible Fuel Co., which is the coal department of Crucible Steel, has been steadily increasing its output and is now supplying something like 1,500 tons of coal daily to the various mills. Owing to the increased consumption of coal there has sprung up a demand for increased pocket and transport facilities, and to meet these the company built a number of 1,000 ton steel barges to carry the coal.

The extensive 1915-1916 building program, of course, will call for the expenditure of a considerable amount of money, but the big increase in the company's earnings is said to be sufficient to take care of all the larger costs involved. The company created no loans last year. As to how Crucible Steel's 1915 earnings compare with those of preceding years, may be seen at a glance at Table 1, which shows the income accounts in skeleton form for the last seven years.

It will be noticed that no dividends were paid on the preferred stock last fiscal year, distribution having been deferred in September, 1914, but payment of the regular quarterly rate of 1¾% paid prior to that time, was resumed with the declaration on November 23, last, by the directors. It is now pretty confidently expected in steel circles that owing to the general improvement in the company's earnings some action will be taken in the near future with reference to the accumulated dividends on the preferred stock, amounting to 24¾%. It is largely on account of this accumulation of dividends on the preferred that no distribution has ever been made on the company's $25,000,000 of common stock.

TABLE 2

SUMMARY OF CRUCIBLE STEEL'S EARNINGS AVAILABLE FOR DIV. FOR 15 YRS

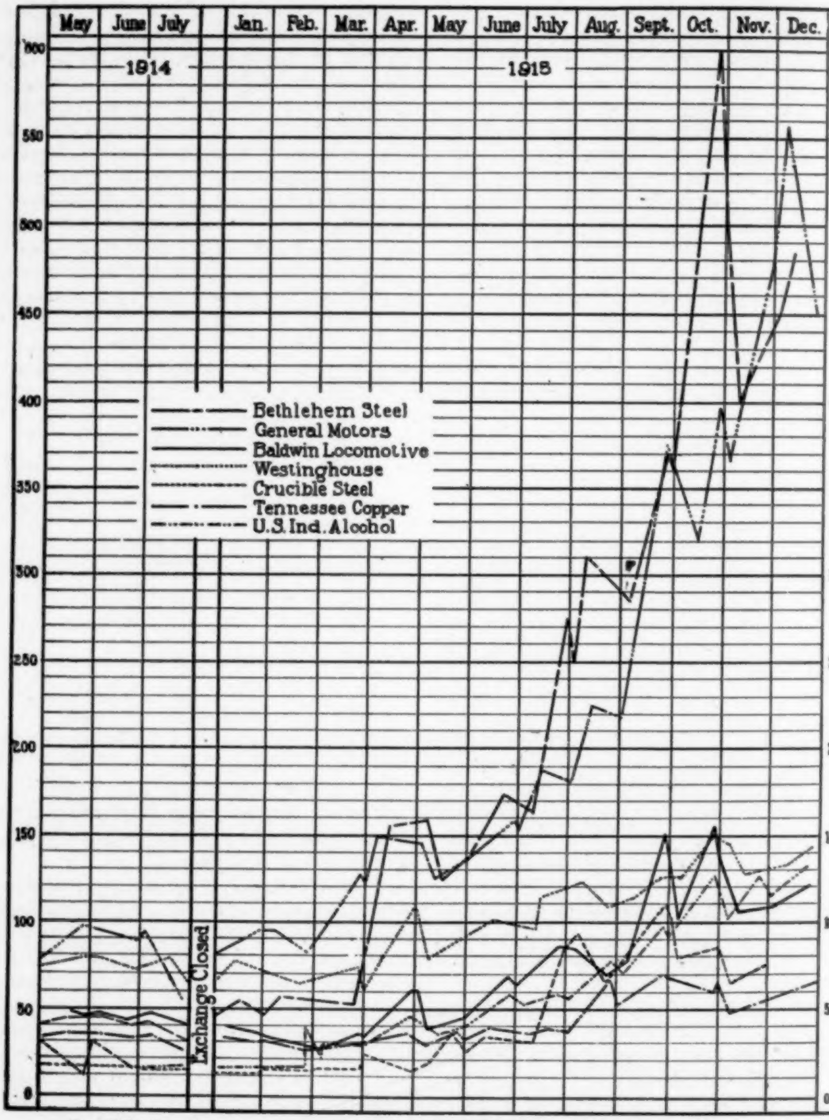
	15 Years 1900-1915	Annual Average
Net profits available for dividends	$36,673,942	$2,444,929
Percentage earned on $24,738,353 average preferred stock outstanding	148.25%	9.88%
Percentage earned on $24,698,857 average common stock outstanding	43.24%	2.88%

Earning Power

As to Crucible's indicated earning power: considering the results of 15 years' operations, as a whole, the 7% preferred dividends on the $25,000,000 of stock outstanding has been consistently earned by a fair margin, although it has not been regularly paid, as shown in Table 2.

The average annual earnings on the common stock, it will be seen, have been 2.88%, but no dividends have been paid on this issue, owing to the arrearage of dividends on the preferred.

Since its organization the company has paid 70¼%, or $17,636,852 in cash for preferred dividends, and $2,443,650, or 10%, in 3% scrip, which was issued in 1910 to cover dividends in arrears of which $517,222 has been redeemed. On September 1 the company was 24¾%, or $5,913,105 in arrears on its preferred dividends, which the management has allowed to accumulate in order that surplus earnings might be applied to additions and improvements to the property in lieu of issuing new securities.



Crucible Steel's Rise Contrasted with Six of the Most Active "War Stocks"

As a result of pursuing this conservative policy in expenditures for additions and betterments to the property from earnings, the company has conserved equities for its stockholders. The extent of the increase in the company's assets and equities for the common stock since organization is shown in Table 3.

Equity for Common Stocks

These figures show that the companies' assets have increased $19,324,521, or 38.4%, while capitalization

actually shows a slight decrease, as a result of making improvements and extensions out of earnings. From these figures it is clear that the company has established a considerable equity for the common stock. On August 31, 1915, the net tangible assets applicable to the common stock were $11,095,437, or practically $45 per share. This figure, of course, is based upon the assumption that the intangible assets are valued at $25,000,000 and represent the net tangible assets after deducting from total assets the value of the intangible assets, the par value of preferred stock, the outstanding scrip and the current liabilities.

Crucible Steel has no funded debt of its own, but the funded debt of its subsidiaries amounts to $11,601,300. The amount of 3% scrip outstanding is $2,033,845, due June 30, 1920.

Crucible Steel's corporate history is somewhat complex but interesting. The company was incorporated in 1900 under New Jersey laws and at its inception owned and controlled fifteen smaller companies.

The works of six of these have been disposed of, while a seventh, the Park Steel Co., has been liquidated.

Future for Company

One of the biggest things in the future for Crucible Steel is the possibility of the company being called upon to turn out a large amount of work for the United States Government in connection with a naval defence program. If an extended program is adopted by Congress Crucible Steel, which has been a very large supplier of its high-grade products to the Government in past years, is almost certain to share to capacity in the orders that will materialize. This possibility is regarded as one of the biggest fields of development ahead of Crucible Steel. The company is especially well fitted for the manufacture of naval ordnance.

Stock a Speculation

For the present, notwithstanding its solid position in the home market for high-grade steel products, Crucible Steel must be regarded as more or less of a speculation and this, almost entirely because of the injection of war-order business. On its domestic business alone, which lacks the speculativeness attaching to war-order business Crucible Steel common at around present prices, comes nearer ranking with the semi-investment class of securities. It is "war business" which has produced in the stock the rather erratic movement shown in the accompanying chart, on which are recorded the movement of six other "war stocks," which figured among the dozen or so of stocks that, by reason of their tremendous price enhancement, furnished the outstanding features of the speculative year recently closed.

TABLE 3

CRUCIBLE STEEL'S LATEST BALANCE SHEET COMPARED WITH BALANCE SHEET AT TIME OF INCORPORATION

	1915	1900	Increase	P. C. Inc.
Property and investments†	$56,183,448	$43,647,939	$12,535,509	28.7
Net current assets	7,454,416	5,792,570	1,661,846	28.7
Total assets	69,649,035	50,704,039	19,324,521	38.4
Capitalization.				
Preferred stock	$25,000,000	$25,000,000		
Common stock	24,578,400	25,000,000		
Coal land purchase notes	616,000	....		
Funded debt	....	324,514		
Total capitalization	$50,194,400	$50,324,514	$155,886*	0.26*

*Decrease. †Includes value of intangible assets, such as good will, trade marks, etc., which is not separately stated by the company, but is believed to be $25,000,000 representing par value of the common stock issued.

Investment Digest

RAILROADS

Atlanta, Birmingham & Atlantic.—GROSS EARNINGS 6 months ended Dec. 31 increased 12.4%. Reorganization plan reduces fixed charges to $204,500. Total capitalization is $61,622 per mile of main track.

Baltimore & Ohio.—ORDERS have been placed entailing the expenditure of more than $8,000,000 for equipment to be delivered during 1916.

Boston & Maine.—DECEMBER freight earnings increased 30%.

Chicago, Milwaukee & St. Paul.—PROSPECTS of an early restoration of the 5% div. rate are good. For the 5 mos. ended Nov. 30 co. earned close to 7% on the stock.

Cincinnati, Hamilton & Dayton.—LARGE MAJORITY of bonds have been deposited under reorganization plan.

Illinois Central.—MANAGEMENT states that for 60 yrs. the suburban service has been operated without loss of a single life in passenger train accidents

Lehigh Valley.—PUBLIC SERVICE commission authorized $4,650,000 50 yr. 5% bonds to be issued by Lehigh-Buffalo Terminal Ry. a subsidiary. The issue is to provide funds for the construction of new passenger and frgt. terminals at Buffalo.

Louisville & Nashville.—EARNING at rate of 8% on its stock and traffic on the increase.

Minneapolis & St. Louis.—ARRANGEMENTS about completed for purchase of $5,500,000 collateral under the 2 yr. 6% notes due Feb. 1, 1916.

New Haven.—SUBSTANTIAL progress made in the relief of frgt. congestion.

New York Central.—EXPECTED that yr. ended Dec. 31, 1915, will show close to 12% earned on the stock.

Pennsylvania Railroad.—PAST TWO yrs. 361,572,114 passengers carried without one being killed.

Rock Island.—CURRENT EARNINGS showing good increases.

Southern Pacific.—PROSPECTS of a merger to include this co.'s subsidiary (Associated Oil); if carried out would mean a cash payment of close to $15,000,000 for Southern Pacific.

Southern Railway.—IF CURRENT INcreases in earnings continue co. for yr. ended June 30, 1916, will show pfd. div. earned with substantial margin to spare.

Union Pacific.—CHAIRMAN LOVETT says that the Union Pacific is in better condition than ever before, and does not contemplate any new financing for any purpose.

Western Maryland.—DECEMBER gross increase 41%.

INDUSTRIALS

Aetna Explosives.—DECEMBER smokeless powder output was 40,000 lbs. daily, and picric acid output was 6,000 lbs. daily. By the end of Jan. smokeless powder production it is expected will be increased to 75,000 lbs. per day, and the picric acid to 36,000 lbs. per day.

Ajax Rubber.—DIVIDENDS inaugurated at rate of $5 per annum by payment of quarterly dividend of $1.25 per share, payable March 15 to stockholders of record Feb. 28.

American Can.—NET EARNINGS for 1916 expected to equal 25% on the common stock. A decision in the gov't suit is expected at any time.

American Coal Products.—RUMOR that there may be a melon cutting for stockholders early this year.

American Ice.—FOR THE YEAR ended Oct. 31, 1915, co. earned 3.53% on pfd. stock.

American Steel Foundries.—FOR QUARTER Dec. 31, 1915, co. will show a small surplus as against deficit of $480,000 for 1st 9 mos. of yr.

Auto Sales Gum & Chocolate.—INTEREST on 20 yr. 6% bonds was defaulted. This in no way affects the Sterling Gum Co., which took over the gum mfg. business and plants of the Auto Sales Co.

Bethlehem Steel.—DELIVERIES of war material well ahead of schedule despite recent fire.

British American Tobacco.—YEAR ENDED Sep. 30, 1915, showed net profits of $9,250,295. Dividends paid on common were $4,690,740. A final dividend of 7½% was paid on common Jan. 18, bringing dividends for yr. up to 22½% as against 24½% prev. yr.

Canadian Car & Foundry.—ARRANGEMENTS completed with Russian Government for financing. Shipping 50,000 shells a week.

Chicago Pneumatic Tool. — PLANTS WORKING night and day. Orders sufficient for 6 mos.

Continental Can.—YEAR ended Dec. 31, 1915, expected to earn between 12% and 13% on common.

Corn Products Refining.—NET EARNINGS 1915 expected to be between $400,000 and $500,000 ahead of last yr.

Crucible Steel.—ASSIGNED an order for 15,000 9.2 inch shells for British Government. Gross amount of contract is $3,750,000.

Cuban-American Sugar.—EARNINGS for 1916 are estimated for more than $100 a share.

Curtiss Aeroplane.—BANKING SYNDICATE offering to public 3,000,000 serial 6% notes, and 6,000,000 7% cumulative pfd. stock.

Driggs-Seabury.—ADDITIONAL ORDERS for $9,000,000 taken from the British Government for the manufacture of aeroplane guns.

Emerson Phonograph.—HAS CLOSED arrangements with the Woolworth stores which will mean a very large distribution of ten cent records. The Woolworth Co. now has 797 stores, but this is only one of the many channels through which Emerson products will reach the millions of people who are without music in their homes.

General Electric.—GROSS BUSINESS in 1915 other than war business is estimated at about $98,000,000, as compared with $83,748,521 for previous yr.

General Motors.—DECLARED a quarterly dividend of $5 a share, placing the stock on a $20 basis.

Goodrich, B. F.—GROSS SALES for 1915 will be approximately $55,000,000, an increase of 30%.

Gulf States Steel.—SURPLUS after charges for 1915, $614,680.

Hendee Manufacturing.—IS NOW PRODUCING bicycles in addition to motorcycles. Orders on hand for motorcycles for immediate delivery greatest in history.

Hupp Motor Car.—AN ISSUE of $1,500,000 7% cumulative and convertible pfd. stock recently offered to investors at 102. 1915 net profits est. at $500,000 for 4¾ times dividend requirements.

Inland Steel.—BUILDING large additions to its plant. Estimated cost, $1,500,000.

Intercontinental Rubber.—PLANS to resume operations of plant at Torreon, Mexico, next month.

International Mercantile Marine.—NEW REORGANIZATION plan, it is said, provides for only one class of stock, the present pfd. to receive share for share of new common and full back dividends in new common. Present common stock is expected to receive new common, on a basis of one share of new common for each 4 shares held.

Kresge, S. S.—DECEMBER SALES increased 29%. Sales for 12 mos. ended December 31, were $20,943,300, an increase of 30.1% over prev. yr. Net earnings for yr. expected to equal 30% on the common.

Kelly-Springfield Tire.—DECLARED regular quarterly dividend of 3% on common.

Lee Tire & Rubber.—TURNING OUT 1,000 tires a day, and this will be shortly increased to 1,200 a day.

McCrory Stores.—MAY REDUCE common par value from $100 to $10. Sales in 1915 were 13.29% ahead of prev. yr. It is expected that between 6% and 7% was earned on stock in 1915.

New York Air Brake.—PRES. STARBUCK says that co. has been able to make a larger profit on war contracts than was originally expected, owing to cutting down of operation costs.

Pittsburgh Steel.—DECLARED a dividend of 3½% on pfd. stock on account of back dividends.

Pullman Company.—REPORTS improving inquiry for frgt. cars. Orders on hand sufficient for 60% to 70% capacity operations over six mos.

Peerless Truck & Motor.—EARNED $9 per share on new capitalization in 1915.

Packard Motor Car.—ORDERS on hand amount to approximately 80% of full output of cars to June 1 next.

Standard Steel Car.—ORDER received from French Government for 5,000 steel frgt. cars.

Studebaker.—NET EARNINGS for yr. ended Dec. 31, 1915, equal to 30% on common. To make 100,000 cars in 1916.

Tennessee Copper.—SHUT DOWN sulphuric acid plant.

U. S. Steel.—NET EARNINGS for 1915 estimated at $130,000,000, equal to 10% on common stock after allowing for pfd. dividends.

Va.-Carolina Chemical.—ESTIMATED earnings for yr. ended May 31, 1916, will be over 12%, greatest in history.

Vulcan Detinning.—EARNINGS for 1915 expected to equal 4% on pfd.

Willys-Overland.—EARNINGS for 1915 as estimated by co. were $10,000,000, over 9½ times pfd. requirement for the new $15,000,000 issue. Balance available for common equal to 45%.

Woolworth, F. W.—DECEMBER SALES increased 16.11%.

Wright Aeroplane.—RAPIDLY getting into shape to manufacture aeroplanes on a big scale. Representatives of co. now in France negotiating contract for 5,000 aeroplanes. An initial order for 500 has already been received.

Youngstown Sheet & Tube.—IMPROVEMENTS in extensions under way that will cost in the neighborhood of $7,000,000.

Investment Inquiries

NOTE.—Answers published are condensed from the very large number of inquiries received. All inquiries are answered by mail as soon as received and should be accompanied by stamped and addressed envelopes. Questions should be as concise as possible, written on one side of the paper and the prices paid for securities about which inquiry is made should always be stated. Replies wired C. O. D. when requested. Annual subscribers' inquiries receive first attention.

Maxwell Motors

B. D., Barberton, Ohio.—It is impossible to state definitely what Maxwell Motors will earn for the year ended July 31, 1916. It has been semi-officially announced, however, that for the three months ended October 31, the company's earnings were sufficient to cover the entire year's dividend requirement on the preferred stock, and that earnings for the balance of the year will be available for the common.

The company earned 6.5% on the common stock for the year ended July 31, 1915, and interests close to the company predict that the very least that will be earned on the common for the current fiscal year will be 15%.

There is nothing behind the common stock of Maxwell Motors except earning power. The company carries good will, patents, etc., at $26,500,000. There are no bonds. There is first preferred stock, $12,279,332; second preferred stock, $10,127,468; common, $12,778,057.

The first preferred stock has considerable assets behind it and there is a sinking fund of $130,000 yearly to reduce the outstanding amount. Considering the earning power of the company the first preferred appears to be in a fairly strong position.

Amer. Hide & Leather

S. J. E., Munnsville, N. Y.—American Hide & Leather is earning at the rate of about 13% on the preferred stock. The company is in a strong financial condition and net liquid assets are sufficient to cover the bonded debt and leave an equity of $40 per share for the preferred. The common and preferred stocks, of course, have the additional equity of the property and plants. While present earnings are excellent, the company has not been a very good performer in the past, and we think the large advances the common and preferred stocks have recently had discounts the improved outlook.

Maxim Munitions

M. L. B., New York City.—Maxim Munitions has contracted for 30,000,000 cartridges and expects to close a large order for rifles and machine guns. The company has not yet started producing and what its earning power will be is problematical. A sudden termination of the war would have a detrimental effect on its business. There are experienced, practical men at the head of this company and if conditions continue favorable for the munition industry, it appears to have possibilities of making large profits.

Carbon Steel

R. W. K., Wilmington, Del.—Carbon Steel has $3,000,000 common stock, $500,000 1st preferred, and $1,500,000 2d preferred outstanding. There are $700,000 bonds and $904,000 notes. On November 15 orders on the company's books were as follows:

Regular domestic business	$1,769,360
Steel for war orders for regular customers	533,680
Shell forgings	1,622,885
Finished shells	10,533,000
Total	$14,458,925

The company has practically completed an order for 75,000 4½ inch shells. These orders are sufficient to keep the plant at capacity until July 1, 1916. When the "war stocks" are moved up again there is no reason why Carbon Steel should not advance also.

Speculative Stocks

C. S., Halifax, N. S., Canada.—Submarine Boat, Cramp Shipbuilding and Tobacco Products all seem to offer excellent speculative opportunities. Submarine Boat has orders on its books which it is expected will yield a profit over the next 2½ years equal to $75 a share on its stock. Cramp Shipbuilding is in a very strong position. It has taken orders on very favorable terms, which will keep it operating at capacity for the next two years. Tobacco Products has an excellent management and its business is showing steady increases.. While a sudden termination of the war would probably have a temporary adverse effect on Submarine Boat and Cramp Shipbuilding, the business which these companies have on their books is not subject to cancellation, and they would not be materially affected. Tobacco Products' business is largely domestic and sudden peace should not affect this company.

War Stock and Peace

R. J., Wilmington, Del.—It is very difficult to say which of the so-called "war-stocks" will be most adversely affected by sudden peace. Many of these stocks have had considerable declines from their high prices this year and at present prices have already largely discounted peace. When peace is actually at hand, it is very possible that the "war stocks" will have already had their decline and that they will advance on the actual news. The large major-

ity of the "war stocks" have taken their orders under terms that do not provide for cancellations and the ending of war would simply mean that they would not be in line for any more business from that source. Bethlehem Steel, for example, is expected to earn 300% to 400% on its stock in 1916 whether the war is ended or not.

Peace and Railroads

J. W., Northport, N. Y.—It is hard to predict what effect the end of the war will have, generally, on railroad securities. The best opinion is, that the immediate effect will be to cause a decline in stocks, but that this will prove temporary.

Erie

C. S., Culpeper, Va.—Erie Railroad will earn about 3% on the common stock for the year ended December 31, 1915. For the past several years the company has made very large expenditures for improvements and it can well afford to further strengthen its financial position. Hence we do not think that there will be any dividend on the common for two or three years at least. It is selling over 40 and would appear to be high enough. The December 25 issue of THE MAGAZINE OF WALL STREET contained an article analyzing this property.

American Tobacco

P. J. C., Little Falls, Minn.—American Tobacco in 1914 earned 21% on the common stock and it is estimated that earnings for 1915 will be approximately the same. As the company is paying 20% in dividends the margin of safety of the present dividend is not very great. The company is in very strong financial position, however, and can afford to pay out all surplus earnings in dividends. It is said on good authority, that at the next directors meetings in February, the present rate will be continued. It is thought, however, that unless earnings in 1916 show considerable improvement, the dividend will be reduced before the end of that year. At 204 the stock would seem to have already discounted a reduction to 16%.

B. & O.

W. S. S., N. Y. City—Baltimore & Ohio for the year ended June 30, 1916, if present increases in earnings continue, promises to earn about 10% on its common stock. We think, however, that the advance the stock has had discounts this good showing to a considerable extent. We do not suggest its purchase at present levels.

Westinghouse

B. A. B., Sewickley, Pa.—Westinghouse Electric is reporting very favorable progress with its war orders. Earnings for 1916 from this business are estimated at $26 a share. We think you might hold this stock a while longer, but as soon as you have a reasonable profit we suggest that you take it.

A. S. & R.

T. D. K., Philadelphia, Pa.—American Smelting & Refining earnings were in:

1914.....6.51%	1913.....7.47%
1912....11.47%	1911....10.90%

It is estimated that the present earnings are running at the rate of close to 20% per annum. The improved Mexican situation has enabled the company to resume operations in that country and earnings from that source in the next few months should show good increases. The stock has had a very extensive rise and we think that it would be advisable to be satisfied with a reasonable profit on your commitment.

U. S. Light & Heating

R. G. C., Albany, N. Y.—Herbert B. Falk, a member of the stockholders protective committee recently filed a suit asking for the appointment of a receiver for the U. S. Light & Heat Corporation. Charges of unlawful control of the board by J. Allen Smith, president of the Corporation, and of misconduct in office, have been preferred. The news of this suit caused a rather severe decline in the stock. The company is reported to be working on war orders, but there is little or no official information corcerning same. With so little known as to the actual conditions of the company the stock must be regarded as a risky one to hold.

Col. Fuel & Iron

M. G. M., N. Y. City—Colorado Fuel & Iron's earnings are excellent at the present time, due to the very flourishing condition of the steel trade. We think that the present price of the stock largely discounts this. It has advanced to prices considerably above the present level, largely on reports of war orders which did not materialize. We think you would do well to sell out.

Mexican Investments

E. H. S., Boston, Mass.—We are inclined to consider the securities of the Mexican roads as very risky speculations. Conditions down there appear to be very much better for the time being, but whether they will remain so indefinitely is by no means certain. Also, it is difficult to determine just how great has been the damage to the properties of the Mexican roads.

Investment of $300

J. H. J., Brookline, Mass.—A good investment for $300, is to buy two or three shares of a good industrial preferred stock. We suggest

Baldwin Locomotive pfd.
Pressed Steel Car pfd.
American Can pfd.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand well up in this table, because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries.

Industrials	Present div. rate.	Div. yield on present price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1909.	1910.	1911.	1912.	1913.	1914.	1915.	Present price.	Earnings last fisc. year on present price.	
Pacific Mail	0	0	—1.7	—1.1	—1.0	—0.1	0.1	1.5	2.4	12	20.0	$25 cash div. paid Dec. 15. $10 to $12 more expected. Will dissolve.
General Motors com	20	4.1	....	....	15.7	17.3	38.8	37.5	81.2	475	17.1	Com. put on $20 per annum basis.
California Petroleum pfd	4	5.9	....	....	....	....	11.4	11.6	....	68	17.1	Reported will merge with Mexican Petroleum.
Amer.-Agricul. Chem. com.	4	5.9	7.5	10.4	9.1	7.3	5.2	7.7	11.0	68	16.2	
Va.-Carolina Chemical com.	0	0	7.1	10.4	3.1	3.3	0.5	3.4	7.6	48	15.9	Prospects for good fertilizer business in 1916.
U. S. Rubber com	0	0	4.0	7.8	2.2	6.3	9.8	8.0	....	55	14.5	Expects to earn 8% on com. this year. Saving cash.
Int. Mercantile Marine pfd.	0	0	....	9.4	8.7	7.3	11.1	....	....	80	13.9	Reorganization plan soon. 78% back dividends.
Amer. Hide & Leather pfd.	0	0	11.2	—5.6	0.8	3.2	3.6	0.8	7.4	54	13.5	War orders big item. Earnings best in history.
U. S. Realty & Improvement	0	0	9.2	9.7	9.4	8.3	9.2	8.2	5.0	37	13.5	Paid 1% Feb. 1.
Amer. Beet Sugar com	0	0	7.0	7.3	10.9	13.5	3.9	2.3	8.7	67	12.9	Expects larger earnings.
Inter. Harvester of N. J. com	5	4.6	17.8	14.8	14.2	15.2	14.5	13.4	....	110	12.2	Business increasing.
Central Leather com	4	7.6	6.3	—2.1	—5.1	8.6	5.2	6.4	....	53	12.1	War orders big.
Willys-Overland com	6	2.7	....	....	....	....	26.5	25.9	....	223	11.6	
Baldwin Locomotive com	0	0	....	....	1.4	11.5	13.1	....	....	113	11.6	Large war orders.
Union Bag & Paper pfd	0	0	6.2	5.4	5.5	5.3	1.6	1.7	3.3	29	11.4	Canadian profits sold.
Crucible Steel pfd	7	6.3	8.2	14.5	10.2	13.7	19.6	4.1	12.3	111	11.1	Back dividends 24¾%.
Inter-Paper pfd.	2	4.1	2.7	4.5	5.3	5.4	4.4	5.1	....	49	10.4	30% cum. divs. in arrears.
American Tobacco	20	9.9	....	....	....	30.4	28.1	21.0	....	203	10.3	1915 earnings estimated at 21%.
Distillers Securities	0	0	2.2	2.3	3.1	1.5	1.2	2.3	4.6	47	9.8	Large contract for alcohol taken.
American Can, pfd	7	6.3	6.7	6.8	7.1	14.2	9.7	10.7	....	112	9.6	Arrears 8¾%. Gov't suit pending. Big war orders.
Maxwell Motors com	0	0	....	....	....	....	....	0.3	6.5	69	9.4	Record earnings.
Diamond Match com	6	5.7	11.0	11.6	12.6	13.2	11.0	9.6	....	106	9.1	Scarcity of potash embarrassing.
Woolworth, F. W., com	7	5.8	....	....	....	8.9	11.0	10.7	....	120	8.9	Expects to show record year.
North American	5	6.9	6.0	6.2	6.2	7.2	6.7	6.4	....	73	8.8	Controls St. Ry. & Elect. Light cos. in Northwest.
Studebaker com.	6	3.8	....	....	....	4.9	3.1	12.7	....	158	8.1	Earned 30% on common 1915.
Sears, Roebuck com	7	3.8	18.4	20.5	17.0	19.3	21.2	14.5	....	183	7.9	Stock div. 50% com. March, '15.
National Biscuit com	7	5.8	7.4	7.7	9.8	10.0	9.6	11.7	9.5	122	7.8	Business only fair.
People's Gas Light & Coke.	8	7.3	8.9	9.0	8.9	7.5	8.2	8.6	....	110	7.8	Business only fair.
Corn Products pfd	5	5.0	8.2	6.9	7.0	6.8	7.6	7.7	....	101	7.6	Divs. in arrears 17½%. Business good. Gov't suit.

Corn Products pfd........	5	5.0	8.2	6.9	7.0	6.8	7.6	7.7	....	101	7.6	Divs. in arrears 17½%. Business good. Gov't suit.
American Tel. & Tel.......	8	6.3	9.0	10.4	10.0	9.3	9.6	9.4	....	128	7.3	Large equities in sub. co. earns. Will cut construction program.
Butte & Superior..........	$3	4.0	....	....	....	....	$3.5	$5.2	....	$76	6.8	Earning at rate of $30 to $40 per share.
Bethlehem Steel com......	0	0	—1.6	6.5	6.7	6.9	27.4	30.6	....	452	6.7	Turning out shells rapidly and economically.
Utah Copper (par $10)....	60	7.5	29.5	34.6	39.7	53.5	50.7	53.8	....	80	6.7	Big production.
Ray Cons. Copper (par $10)	20	8.0	....	....	2.1	13.3	18.5	16.5	....	25	6.6	Record earnings.
General Electric	8	4.7	7.4	16.7	14.5	16.2	12.9	11.1	....	172	6.5	Working at capacity. War orders farmed out.
Chino Copper (par $5).....	80	5.6	....	....	....	50.6	70.3	68.8	....	54	6.4	Record earnings.
International Nickel com..	20	9.4	....	....	27.9	26.3	11.8	11.2	13.3	212	6.3	Earning at rate of 32% per annum.
American Coal Prod. com..	7	4.2	....	....	....	10.5	10.8	10.3	....	164	6.3	May cut melon shortly.
Western Union	5	5.6	5.8	5.7	5.4	4.0	3.2	5.4	....	90	6.0	Earnings this year will be about 8% on stock.
Continental Can com......	5	6.9	....	....	....	....	12.1	4.7	....	83	5.7	
Am. Smelt. & Refining com	4	3.7	7.7	7.1	9.1	10.1	7.5	6.0	....	107	5.6	Doing a big business. Mexican plants resumed.
B. F. Goodrich com.........	0	0	....	....	....	2.4	0.8	4.7	....	73	5.6	Estimated earnings 1915 10% on common.
Tennessee Copper (par $25)	12	5.0	6.8	8.9	8.1	21.9	19.3	13.0	....	60	5.4	Acid plant operating again.
Pullman	8	4.8	10.9	11.6	9.3	8.7	9.3	9.0	8.8	167	5.3	Getting war business.
National Lead com.........	3	4.3	6.2	4.3	3.6	3.8	3.6	3.7	....	70	5.3	
Consolidated Gas (N. Y.)..	7	4.9	6.7	7.4	7.6	7.5	7.2	7.1	....	143	4.9	Sub. cos. have large undistributed surpluses.
Pittsburgh Coal pfd........	5	4.5	3.0	7.2	5.1	7.5	10.1	5.1	....	111	4.6	Expects to pay off part of back dividends.
General Chemical com......	6	2.0	14.4	15.6	15.5	14.4	13.4	13.3	....	295	4.5	15% stock div. War helped business.
N. Y. Air Brake...........	6	4.0	....	4.5	0.5	5.7	6.5	6.4	....	149	4.3	
American Linseed pfd......	0	0	5.8	4.5	2.6	—2.8	3.0	1.8	....	43	4.2	Earnings reported very satisfactory.
Miami Copper	$5	13.2	....	....	$0.7	$2.8	$1.7	$1.6	....	38	4.2	Earning at rate of $8 per share on 21c. copper.
Mexican Petroleum com....	0	0	....	....	4.6	5.9	11.2	4.7	....	115	4.1	To merge with Calif. properties.
Anaconda (par $50).......	12	4.4	7.1	7.0	7.5	14.3	10.3	7.8	....	90	4.0	Put on $6 per annum basis, par $50.
Greene-Cananea	1	2.1	....	....	....	$4.3	$2.3	$1.9	....	48	3.9	Operations resumed.
American Sugar Refining com	7	6.1	3.9	3.8	9.6	8.7	1.9	4.3	....	115	3.7	Helped by war.
Republic Iron & Steel pfd.	7	6.4	8.1	11.7	7.8	8.9	12.4	4.1	....	109	3.7	Earnings now best in history. 11% back dividends.
International Agr. pfd.....	0	0	....	....	....	....	....	2.3	....	62	3.7	Profits from sulphuric acid sales.
American Cotton Oil com..	4	7.3	10.4	6.8	—1.2	6.5	3.4	2.0	....	35	3.6	Controls 17 sub. companies.
West'gh'se El. com (par $50)	6	8.8	....	7.6	12.3	6.2	8.2	10.8	4.7	68	3.5	Large profits from war orders.
U. S. Ind. Alcohol com....	0	0	....	2.0	4.0	5.0	1.9	1.9	....	137	1.4	
U. S. Cast Iron Pipe pfd..	0	0	1.2	4.4	3.9	4.2	4.7	—0.5	0.6	49	1.2	Business picking up.
Sloss-Sheffield com.........	0	0	6.6	2.0	—0.6	0.8	2.1	0.2	....	62	0.3	Big earnings. Prospect for dividends good.
Amer. Malt Corp. pfd......	2	6.3	6.2	3.0	8.8	9.3	4.6	3.7	0.1	32	0.3	Divs. in arrears 26%. Business increasing.
Amer. Car & Foundry com.	2	2.9	2.6	6.6	7.1	2.5	4.1	5.5	0.1	70	0.1	War orders.
Pressed Steel Car com....	0	0	7.7	5.5	0.1	0.8	10.5	0.1	....	61	0.1	War orders.
U. S. Steel com............	0	0	10.5	12.3	5.9	5.7	11.1	—0.3	....	86	0	Steel business booming.
Allis-Chalmers pfd	6	0	....	....	....	....	4.6	—0.2	....	80	0	13% back dividends due.
American Locomotive com.	0	0	—3.1	1.3	7.3	0.5	17.7	1.3	—13.0	67	0	Plants at capacity.
American Steel Foundries.	0	0	0.1	6.1	—1.5	4.6	6.1	—1.4	....	58	0	Earnings picking up.
Colo. Fuel & Iron com....	0	0	....	2.1	4.0	3.2	4.8	—3.1	—1.4	50	0	Improved steel condition. Pref. 52% in arrears.
American Woolen com....	0	0	5.2	2.2	2.1	2.1	19.9	0	....	45	0	Big war orders.
Railway Steel Spring com.	0	0	5.3	6.0	0.3	5.8	1.3	—4.2	....	40	0	War order stock.
Nat. Enamel'g & Stamp. com	0	0	1.1	1.0	1.1	—1.6	1.9	—0.3	....	37	0	War order stock.

In the next issue the Bargain Indicator showing the comparative earnings of the important railroads will be published.

MINING AND OIL

The Texas Company

Growth of John W. Gates' "Little Company"—What It Has Done in the Past and What It May Do in the Future

By A. C. LAURENCE

IN 1902 a one-story wooden building in Houston housed the "Home Office" of a newly organized oil concern, The Texas Company. Its capital stock was $3,000,000, all privately subscribed. On the board of directors were John W. Gates, the moving spirit in the launching of the new enterprise and the chief share holder in the company; Arnold Schlaet, T. J. Donahue, L. H. Lapham and W. B. Sharpe. In those days an independent which had the temerity to enter the field then looked upon as the "Dominion of Standard Oil" was regarded in much the same light as the fool who stepped where angels feared to tread. But John W. "Bet you a million" Gates was a fighter and the other members of the new company were also fighters. Their confidence in the future of the venture was not shaken even though they were told that the obstacles to final success were insurmountable.

The first published balance sheet of the company as of November 1, 1903 showed cash assets of $275,819; receivables, $242,735; stocks of oil, $268,549; plant account and oil field investments, $3,027,098. The liabilities included capital stock, $3,000,000; accounts and bills payable, $209,919; surplus, $624,-000.

Texas Company of Today

Today the Texas Company has a total capitalization of $43,800,000, of which $37,000,000 represents issued stock; net tangible assets probably in excess of $50,000,000; a $40,000,000 investment in real estate, leases, rights of way, pipe lines, tankage, refineries, ships, cars, terminals, distributing stations, natural gas wells and equipment. Gross business is now coming in at the rate of over $30,000,000 annually and net profits are estimated to be running at a rate in excess of $8,000,000 a year.

Despite its remarkable progress and the fact that it now looms as the most important competitor of the Standard Oil interests in this country, The Texas Company has escaped the spotlight of publicity, and its securities have until lately received surprisingly little attention from Wall Street. Recently, however, the stock became the cynosure of all eyes in its sensational advance to above $200 a share. On one of the days when it was rising rapidly

Texas Co.'s Old Office at Beaumont, Tex., and New Home at Houston, Tex.

an excited trader who was watching the ticker in a downtown broker's office was heard to exclaim: "Oh, if Johnny Gates were here now it would go to 300." Gates was credited with being behind moves in the stock during the days when he was active in Wall Street. But Gates passed out of the Street after his famous bull campaign of 1905-1906 and "Texas Oil," as the stock is persistently miscalled by the traders, lost whatever favor it had gained among that fickle lot.

Latter Progress

It was after the Gates regime retired from Wall Street that the Texas Company began to make the most rapid strides. Its latter progress began in 1912 when the large amount of capital that had been expended in the development of new marketing fields began to bear fruit. The following year saw a wave of prosperity sweep over the country. Vast new channels of consumption for gasoline were being opened up by reason of the great increase in the number of low priced automobiles manufactured, crops were bountiful and business was booming. Texas Company's earnings for the twelve months ending June 30, 1913, were $6,663,123, the best in its history and equivalent to approximately 25 per cent. on its capital, which at that time was only $27,000,000. The next year was almost as good despite the rapid falling off in the oil business during the first six months of 1914, and the decline in prices due to the large new production in the Oklahoma field. But the most remarkable showing of all was made in the twelve months ending June 30 last, when the company did a gross business of $26,391,745 which returned net earnings of $6,393,-327, a gain of $207,000 over the previous year and but $270,000 short of the high record of 1913. Such results were accomplished at a time when the oil trade of the entire country was going through a period of the worst depression ever known.

First Year of the War

The depression of the petroleum industry in 1914-1915 was due to two causes, the European war and the enormous over-production of crude oil. The immediate effect of the war was to cut off petroleum exports. This, together with the sudden shrinkage in domestic business, threw the trade into a demoralized state, the inevitable result of which was a sharp decline in price. The downward movement ended in a complete collapse by the end of the year, when it became apparent that there was no way to stop the flood of surplus production from the Cushing Oklahoma fields. At this juncture Oklahoma Crude became a drug on the market. Nominally, it was quoted at 40 cents a barrel, but the actual market price went much below that figure.

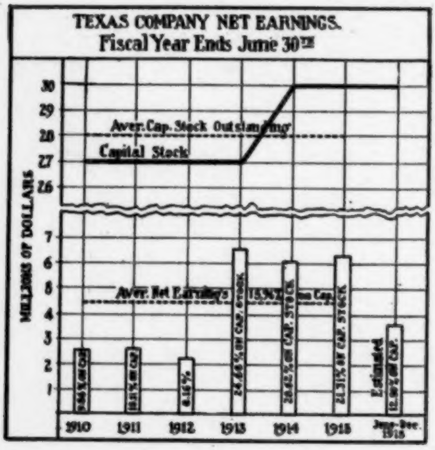
Incidentally, it may be stated that earnings of some of the strongest Standard Oil Companies suffered heavily as the result of the conditions mentioned. An increasing demand, both export and domestic, developed in the spring of last year, coincident with a decline in the production at Cushing, but the favorable effect of this improved situation on earnings of the oil companies was largely counteracted by the continued low prices which in turn were held down by the pressure on the market of the heavy surplus of oil carried in storage by nearly every producing and marketing concern.

In view of such conditions which were without precedent and will probably never again be seen, the fact that the Texas Company was able to show increases in both gross and net testifies to the strongly intrenched position of the company and its able management.

Financial Position

An examination of the company's balance sheets gives further proof of these facts. Cash account was last year increased by $1,610,387. Although the company received an addition of $3,787,019 to this account through the subscription payments on new stock, the greater part of the funds so derived were expended in abnormally heavy purchases of crude oil

and for plant extension, so that to all intents and purposes they played no part in the strengthening of the cash position of the company. The greater inventory value of the crude oil stock is significant as indicating the increase in tankage, the market prices at which this oil was carried being 75 per cent. to 100 per cent. lower than in the previous year. Net working capital has shown a progressive growth in the last six years and has always been maintained at a high ratio to gross business. Last year the ratio was 150 per cent. and in the preceding year 142 per cent. The company's bonded indebtedness cannot be considered as



large in view of the great earning power. The conversion privilege on the 6s, fixed at 150 expired January 1 1915 when the stock was selling below 135; consequently it was not availed of. The company has been liberal in the matter of depreciation charges considering that its plants are maintained at a high rate of efficiency. Investments in oil lands, leases, rights of way, etc., have doubtless shown an enormous appreciation and constitute an asset which gives the stock a book value greatly in excess of the equity disclosed in the balance sheet.

Secrets of Company's Success

One of the big secrets of the Texas Company's success lies in the fact that new business is constantly being sought and obtained in new territory. The scope of its operations is worldwide and its field is practically unlimited. By diversifying its activities and broadening its markets a greater stability of earnings is assured.

The company has over 400 distributing stations throughout the United States, as well as a number in Europe, and is continually adding more. It has built up one of the most efficient sales organizations in the country. This department was quick to appreciate the possibilities in the gasoline service station idea and has developed it with great success, thereby increasing gasoline sales to a marked degree in the last year or two.

The lubricating oil end of the business has been put on a firm footing and is being aggressively handled. Officials of the company regard the lubricating oil field as a mine of wealth for the company, the exploiting of which is certain to show large returns in the future.

The export department is becoming a highly important one. Scarcity of ships is just now acting as a deterrent to exports, but it is expected that two new tankers which are nearing completion will become available within a few months. These vessels are 36,000 tons gross and will have a carrying capacity of about 9,100 gross tons. They will probably be put in the coastwise service and some of the older vessels can then be released for export service. The company also has under contract two tankers of the same capacity which will be launched next fall. The addition of these four ships will bring its fleet up to twelve vessels with a total cargo capacity of about 75,000 gross tons. No serious loss of foreign business has resulted from the war due to the fact that the company's operations on the Continent are relatively unimportant.

Current Earnings

The current year's results in the matter of earnings are more than fulfilling the expectations of six months ago. Profits for the first half of the

fiscal year are estimated to have been at the annual rate of 25 per cent. on the $30,000,000 capital stock outstanding on December 31.

The company found itself in an excellent position to profit by the upturn in the gasoline and crude oil markets which started last August. It had stored approximately 25,000,000 barrels of crude, accumulated at low prices during the previous twelve months. The foresight of the management in making such large purchases has been proved.

In September the Producers Oil Company, Texas Company's most important subsidiary, brought in a number of new oil wells including some very prolific ones in the Humble fields. These fields turned out to be the largest new producers of the year. Although the output has fallen off lately it is still the source of a large additional revenue which the company did not have last year. The Producers Oil Company also controls other valuable oil property including leases in Mexico, Texas, Louisiana and Oklahoma. In consequence of the high crude market the Producers Company's earnings show a very large increase thus far this year.

Last year Producers Oil Company paid to Texas Company approximately $3,300,000 in dividends or 110 per cent. out of total profits of $7,300,000. Practically all of its $3,000,000 stock is held by the Texas Company. Thus dividends disbursed by Producers Company more than covered the Texas Company's 10 per cent. dividend.

Probable Earnings This Year

If present high prices are maintained and the enormous current demand for gasoline and other petroleum products continues, and there seems to be every indication that it will, net earnings of the Texas Company may run well in excess of $8,000,000 for the full fiscal year. It is, however, a difficult matter to forecast the earnings of this company owing to the many variations in prices, production, etc. The conclusion that a new high record is reasonably sure to be established would at least seem warranted, and it is more than likely that the figure will be over $7,500,000.

Dividend Prospects

While the company is probably earning more than double its present dividend requirements, even taking into consideration the additional $7,000,000 capital which became entitled to dividends January 3, there does not appear to be any well founded basis for anticipating an early increase in the present 10 per cent. rate. As already pointed out, the expansion program of the company involves large expenditures.

In view, however, of the capital requirements a new stock issue is not improbable before the end of the year. Previously the company has given valuable subscription rights to stockholders when it has issued new stock. Within the last six years the capital has been increased four times from $12,000,000 to $27,000,000 in 1910; to $30,000,000 in 1914, and to $37,000,000 last year.

Outlook for Future Development

While the scope of Texas Company's operations is already wide there is room for even greater expansion than has yet been seen. It has been demonstrated with what success new sources of demand can be tapped and it is the constant aim of the company to broaden its markets. Obviously the question of supply is of the highest importance. Extensive development and exploration work is being carried on at all times, and the company will no doubt maintain a liberal program of outlay for the acquisition of new fields.

THE INVESTOR'S ALMANAC

FEBRUARY.—During this month sales may be expected to balance purchases—Stock Exchange closed the twelfth and the twenty-second—and profitable trades, maybe. One more day in this month this year for the wise trader. Bonds should be purchased during this month in preference to wild-cat mining stocks. If the market does not go lower it may go higher.

RICH RICHARD.

Consolidated Coppermines

A Company With Prospects—Parke Channing's Report—Necessity For Financing—A Mining Speculation

By M. FREDERICK LEWIS

ARE better things in store for Consolidated Coppermines? This is the question that the stockholders of the company are asking and they have been asking it for some time. The answer is that never before have prospects looked brighter for the development and operation of this property.

That the property is a valuable one and well worth developing is now generally conceded. Several months ago J. Parke Channing made a report for the company on the property which was very favorable and strongly recommended its development, especially that part adjoining Nevada Consolidated. The company is proceeding with its plans in a careful, conservative manner. The report of Mr. Channing, while very encouraging, was not considered sufficient in itself to start immediate work in putting the company on a producing basis.

General Manager Gray is of the opinion that churn-drilling operations should be continued on the property until sufficient ores of the commercial grade can be added to the present ore reserves to justify the installation of concentration or other treatment plants having a capacity of at least 5,000 tons per day. Mr. Gray has recently been on the property superintending this work and it is expected that within a very short time the company will be able to make a definite statement as to ore reserves which will be sufficiently favorable to start the immediate development of the property on an extensive scale.

Ore reserves of the company, as estimated in the last annual report which covered the year ending April 30, 1915, are shown in table I.

This does not take into account underground mining conducted at the old copper mines property on the 325-foot level. The possibilities of the company developing further ore reserves can be realized when it is considered that less than one-tenth of the mineralized porphyry area of the property has been developed or even prospected.

CONSOLIDATED COPPERMINES ORE RESERVES—TABLE I

Giroux	
Fully developed	16,952,898 tons of 1.19%
Partially developed	7,437,108 tons of 1.01%
Old Copper Mines	
Partially developed	1,011,304 tons of 1.02%
Total developed and partially developed ore	24,401,309 tons of 1.13%

The Nevada Consolidated conducted some steam shovel operations on the Ora claim of the Giroux mines recently free of charge to the Giroux company, for the privilege of temporary right of way through said Ora claim. The profit from this ore was sufficient to cover all expenses on the property, salaries, etc., during the period in which it was mined and leave a substantial balance in the bank besides. This shows some of the possibilities of the property.

Another factor which has tended to delay plans for the development of this property is Colonel E. A. Wall and his suits. In October last he filed a complaint in the Federal District Court for Nevada asking that a receiver be appointed for the Giroux Consolidated Mining Co., and that Thomas F. Cole, president, be compelled to give an account of the management of the prop-

erties. On November 22 Colonel Wall withdrew his petition for the appointment of a receiver and all that remains now is the original suit filed in May, 1914. It is expected that this will die a natural death.

Consolidated Copper Mines Co. is a combination of Giroux Consolidated Mines Co., Copper Mines Co., Chainman Consolidated Copper Co., Butte & Ely Copper Co., and the New Ely Central Copper Co. The mineral holdings of these companies comprise 3,360 acres. In addition over 4,350 acres of ranch lands in Steptoe Valley are owned carrying all the waters of the Steptoe Creek. Minimum flow of water is sufficient to supply a concentrating plant of at least 20,000 tons per day capacity.

The company needs about $1,000,000 in order to pay off the indebtedness of its subsidiary companies and provide funds to start active operations. One attempt has already been made to raise money for these purposes but it was unsuccessful. In July, 1913, $2,500,000 of bonds were offered pro rata to stockholders. The time of the offering was somewhat unfortunate on account of the disturbed business and financial conditions, and subscriptions at par from stockholders aggregated but $208,000. The bond issue was not underwritten.

The management has recently expressed confidence in its ability to finance the company as soon as the time is propitious. Several plans are under consideration, each one of which has the earmarks of success. What they are waiting for is a definite statement of the ore reserves now developed.

As shown by Table II, Consolidated Coppermines has only 760,216 shares of stock outstanding, par value $5. The stock is now selling at about $2 so that the market value is only $1,520,432. The debts of the Giroux company total about $500,000 and the debt of Consolidated Coppermines less current assets about $300,000, so the present market valuation of the property is about $2,300,000, a valuation of less than 10 cents a ton on the ore blocked out up to April 30, 1915. A further large quantity of ore has undoubtedly been blocked out in the mine since that date.

The present price of the stock looks to be fairly conservative and if the management of the company succeeds in overcoming the difficulties that confront it and starts active operations there would seem to be room for a substantial appreciation in value. Of course the shares must only be considered in the light of a mining speculation. The company is not yet financed, and while the prospects are fairly bright that it will be there is always the possibility that the plans will fall through.

TABLE II

Consolidated Copper Mines Balance Sheet as of April 30, 1915

Assets.	
Cost of mines and property	$4,116,538
Cash balances—New York and Kimberly	2,029
Bills and accounts receivable	230,013
Total	$4,348,581
Liabilities.	
Capital stock, net issue 760,216.92 shares	$3,801,084
First mortgage 7% convertible bonds issued	40,000
Subscriptions to bonds collected	142,855
Notes and accounts payable	343,201
Accrued interest on notes	21,439
Total	$4,348,581

Mohawk Mining Co.

An Interesting Property—What the Copper Boom Means in Earnings and What It May Mean in Dividends

By RALPH L. CARMICHAEL

THIS interesting Lake copper property is passing through a period of prosperity far greater than anything experienced in the past. For the last several months every favorable factor that a copper company could wish for Mohawk can lay claim to. In the first place the average recovery of copper from its rock has run higher than ever before, in the second place everything has been favorable for operations on a big scale and by far the largest production in the company's history resulted, thirdly the company was able to produce copper at a smaller cost per ton than was ever effected before. Then, of course, there was the strong copper market to help mark earnings up to record figures.

As a result of all this Mohawk stockholders are in an enviable position. In 1915 $6 in dividends was paid out, $1 in February and $5 in August. This is more than has ever been paid out in any one year with the exception of 1907, when $9 was paid. Much better things are undoubtedly in store for the stockholders in 1916. A $7 dividend has already been declared, payable February 1. Earnings are now running, figuring copper at 22 cents, at close to $22 a share per annum, so that when directors meet for dividend action in June they would appear to be justified in declaring a dividend larger than the last, and $8 or $9 would be conservative, especially as the company is in a strong financial position.

1915 Earnings

Earnings for the calendar year 1915, it is estimated, will reach the record figure of $1,600,000 net, or $16 a share on the 100,000 shares outstanding. As only $6 was paid out in dividends in 1915 it can be readily seen that the management has plenty of funds to draw from when it comes time to pay the February dividend of $7. The following table shows the dividend record for the past ten years:

1915	$6.00	1910	$2.00
1914	1.00	1909	3.00
1913	5.00	1908	2.50
1912	3.50	1907	9.00
1911	1.75	1906	5.00

The increased average recovery of copper from the rock has, naturally been the greatest factor in reducing the cost per pound of producing copper. In 1914 there was a yield of 17.08 pounds of refined copper per ton of rock and this was the largest recovery ever shown up to that time by the company. The recovery is now running close to 21 pounds. In 1914 cost per pound of producing copper was 8.58 cents comparing with the best previous record of 10.39 cents in 1911. In 1913 costs ran up as high as 13.22 cents per pound. It is estimated that in 1915 cost per pound will not exceed 7½ cents, a truly remarkable showing when it is considered how high costs have run in the past.

Mining Property

Mohawk Mining has 800 mineralized acres on the Kearsarge lode, Keweenaw County, Michigan. Six shafts have been sunk to date, all of which can still be considered "young," the deepest not having gone beyond the 2,200-foot level. The richest rock that is coming from any of the Mohawk shafts at this time is from shaft No. 5, one of the newest of the company. The percentage copper that is now secured from this shaft equals that taken from any mine on the Kearsarge lode at any time. This shaft is down to the 15th level. Its lateral openings are extended to the border of the Ahmeek Mining Co.'s property. Of the other shafts all are good producers with the exception of No. 3, which has been

abandoned. It has served its purpose and the mineralized territory in its proximity can best be handled by the No. 4 shaft.

All told, Mohawk has a remarkably fine mining property and prospects are that it will have high-grade ore for many years to come. In its fifteen years of existence it has produced approximately 130,000,000 pounds of copper which realized close to $20,000,000. Seventeen dividends have been paid totaling $3,875,000, or $38.75 per share. The accompanying table shows production and costs over the past ten years.

The company is in a strong financial condition, as shown by its balance sheet as of December 31, 1914. Cash on hand was $288,221, copper $496,657, supplies $128,268, whereas current liabilities totaled but $140,137. Profit and loss surplus was $852,208.

Mohawk Mining Production

	Rock Stamped, Tons.	Refined Copper, Lbs.	Yield Per Ton, Lbs.	Cost Per Lb., Cents.	Price Received, Cents.
1914	649,649	11,094,859	17.08	8.58	12.47
1913	366,458	5,778,235	15.76	13.22	15.36
1912	787,941	11,995,598	15.22	10.61	16.08
1911	802,548	12,091,056	15.07	10.39	12.63
1910	802,537	11,412,066	14.22	11.44	13.09
1909	819,019	11,248,474	13.73	11.20	13.20
1908	685,823	10,295,881	15.01	10.75	13.43
1907	640,777	10,107,266	15.77	11.74	15.66
1906	618,543	9,352,252	15.12	11.54	19.60

Position of Stock

At present price of about $91 for Mohawk Mining stock, it must be considered rather speculative. The question whether this price is justified or not depends principally on whether the present yield of copper per ton of rock can be maintained. Mohawk's production in the past came largely from the northerly part of its property. The southerly part overlooks the remarkable Ahmeek property, this section is now being tapped and apparently with exceptionally good results. As already stated the company is now recovering close to 21 pounds a ton which compares with around 15½ pounds in previous years. This makes an enormous difference in the earning power of the company.

There is little question but that the company could produce a great deal more copper than it is at the present time if the capacity of its stamp mill were increased. It is estimated that the present five producing shafts, if pushed, could turn out nearly double the rock they are at present. There is, therefore, no immediate danger of a falling off in production because of any lack of mining facilities. Of course the future course of the price of copper affects the status of the stock, but even with copper at fifteen cents the company can earn, if it retains its present high percentage recovery, as high as $12 per share per annum.

A FINANCIER: A man who photographs a dollar, uses the photograph in business and then saves the dollar to use again.

A promoter in high finance: One who photographs a dollar twice and uses both photographs as collateral.

A promoter: One who photographs the photograph and then utilizes the shadow as stock in trade.—The Pessimist.

Mining Digest

Alaska Gold.—WILL HEREAFTER issue monthly report of ore treatment and yield. In Dec. 114,183 tons of ore of an average grade of $1.36 per ton was treated.

Arizona Commercial.—DEVELOPMENT WORK demonstrating that body of hard grade ore from which it had been mining, for some time past is a large deposit and that it will continue down to great depth.

Bingham Mines.—WITH COPPER and silver at present prices estimated to be earning at rate of $3.50 per share per annum.

Braden Copper.—OUTPUT for 1915 35,444,000 lbs., as against 28,284,000 in 1914.

Butte & Superior.—EARNINGS for 1915 estimated at $10,000,000.

Calumet & Arizona.—EARNINGS for 1915 estimated at $10 a share as against $4.75 in 1914. 60,000,000 lbs. of copper were produced at a cost of about 8c. per lb.

Calumet & Hecla.—PRODUCTION of copper in 1915, including subsidiaries estimated at 146,000,000 lbs., as against 101,874,991 in 1914.

Cerro de Pasco.—PRODUCING copper at annual rate of 72,000,000 lbs.

Champion Copper.—DECLARED a dividend of $3 a share, making a total of $34 declared since Feb. 21, 1915.

Consolidated Mining & Smelting.—REPORT for yr. ended Sept. 30, 1915, shows profits equal to 13.7% on stock as compared with 8.16% in 1914. Dividend was raised from 8 to 10%.

Davis-Daly.—ORE now being shipped is averaging well above 7½% copper. Development work continues of an encouraging nature.

Goldfield Consolidated. — DECEMBER NET $51,000 as against $52,783 in Nov., and $98,375 in Oct.

Granby - Consolidated. — PROPOSES to reduce par value of shares from $100 to $25 and to issue 4 shares for 1.

Greene-Cananea.—DECEMBER production 1,730,000 lbs. of copper, 76,801 oz. of silver and 396 oz. of gold. Plant was put in operation Dec. 11, having been shut down since Oct. 22.

Guggenheim Exploration. — STOCKHOLDINGS distributed to stockholders with exception of Yukon Gold. Cash in treasury and Yukon Gold stock has value of present prices for Yukon Gold of approximately $27 a share for Guggenheim stockholders.

Inspiration.—EXPECTS to be put on dividend basis in short time.

Isle Royale.—EARNINGS estimated to be running at rate of $6 or $7 per share annually.

Lake Copper.—PRODUCING at rate of 200,000 lbs. copper per month.

Miami.—DECLARED a quarterly dividend of $1.25, putting stock on a $5 basis.

Old Dominion.—EXPECT to list shares on New York Stock Exchange. Earning at rate of $14 per share per annum.

Ray Consolidated.—EARNING at rate of between $6 and $7 per share per annum.

Shattuck-Arizona.—EARNING at rate of $8 per share on 22c. copper.

Tamarack.—CALUMET & HECLA understood to have made offer for purchase of such shares as it does not already own. Price understood to be in neighborhood of $55.

Wolverine.—EARNING at rate of $16 per share per annum with copper at 22c. Pres. Stanton says mine still has 20 yrs. of life.

1915 Porphyry Output

PRODUCTION returns for November by the leading porphyry properties makes it possible to estimate with a fair degree of exactitude, the 1915 totals of output. They are as follows, December estimated:

	1915	1914	1913
Utah	**156,000,000 lbs.**	**115,690,445 lbs.**	**113,942,834 lbs.**
Chino	**69,000,000 "**	**53,999,928 "**	**50,511,661 "**
Ray Con	**62,500,000 "**	**57,004,281 "**	**52,341,029 "**
Nevada Con	**61,400,000 "**	**49,244,056 "**	**64,972,829 "**

These figures are of interest as not only indicating the flexibility of the porphyry mines (1914 being the year when the 50 per cent. curtailment went into effect), but also the rapid production growth. Compared with 1913 last year's output by these four properties alone shows an increase of 67,000,000 lbs. in round figures.

Nor does the 1915 total show the full capabilities of these companies in production. Resumption after the 1914 curtailment went into effect early in 1915, but it always requires several months to bring a mining property back to a full production basis. If 1916 proves to be a year in which there is no hitch in the copper industry, it is likely that the four mines mentioned will reach about the maximum output capacity under their present equipment.

Oil Notes

Anglo-American Oil.—IS IMPORTING petroleum into the United Kingdom at rate of 6,000,000 gals. a week.

Associated Oil.—MENTIONED in connection with a consolidation of Mexican and Calif. Oil Cos.

Eastern Pipe Line.—DECEMBER receipts from wells 1,865,860 bbls., a daily average of 60,189.

Houston Oil.—REPORT for yr. ended Sept. 30, 1915, showed net earnings of $1,283,541. From this was deducted $1,052,569 interest and pfd. dividends, and $259,466 discount and commission on sale of securities.

Ohio Oil.—EARNINGS this yr. expected to come close to 1913 record when 152% was earned on the $15,000,000 capital stock.

Pan-American Petroleum & Transport Co.—THIS COMPANY expected to be the co. into which Mexican Petroleum, Calif. Petroleum and other independent oil cos. in Calif. will be merged. It will have only one class of stock with a par value of $50.

Penn-Mex Fuel—EXPECTS to have facilities shortly for transportation of about 1,000,000 bbls. a mo. from Tuxpan, Mexico. Standard Oil is understood to have recently entered into additional new contracts which it is said are more advantageous than the old contracts.

Pierce Oil.—MAKING EXTENSIONS to its refinery which will cost between $500,000 to $800,000.

Prairie Oil & Gas.—READY to begin construction of 87 miles of 8-inch pipe line to new Augusta and Eldorado oil fields in Kansas.

Prairie Pipe Line.—RUNS are now heaviest since its organization. Deliveries averaging 140,000 bbls. crude oil daily.

Sapulpa Refining.—EARNINGS are now reported to be running at rate of 30% per annum on the stock.

Texas Co.—ROAD OIL department in 1915 tripled sales as compared with preceding yr.

Union Oil.—DECLARED dividend of 1½%, payable January 25.

Ventura Consolidated Oil.—WELLS PRODUCING 1,500 bbls. a day and refinery turning out 2,000.

Maxims for the Trader

DEAL with a house which is in business for more than a day, that is actuated by a sense of high moral responsibility toward its customers, and that tries to give a full dollar of value for every dollar received.

PURCHASING a stock after it has had a ten point rise is often like going to a social event at 2 A. M.

A CORPORATION whose finances are constructed like a pyramid is strong or weak accordingly as the pyramid stands on its own base or is inverted.

A DOLLAR safely invested is worth ten thousand which have been lost.

PROPHETS and paper profits belong in the same class and usually meet the same fates if taken too seriously.

READ and study the ablest financial books, magazines, papers and authorities.

BUY at any one point only a part of what you are prepared to buy.

DIS-INTERESTED advice is the only worth-while kind.

THERE is plenty of fruit at the top of the tree, but it requires hard climbing to reach it.

Mining Inquiries

Utah Consolidated

S. T. C., Chicago, Ill.—Utah Consolidated Mining Co., January 1, 1915, had 256,521 tons of ore in sight. Production for 1914 was 153,346 tons, so that there is less than two years ore reserves. Of course, new ore may be developed, but it seems to us that the best has been taken out of this mine, and we do not suggest the purchase of this stock.

Canada Copper

L. B. H., Paterson, N. J.—Canada Copper has about 8,000,000 tons of proved ore averaging 1.75% copper. Work on the property is being pushed and a concentrator is being erected. The stock can be considered a fairly attractive mining speculation.

Batopilas

A. J., Tallahassee, Fla.—Batopilas Mining Co, properties are in the State of Chihuahua. Mexico. The ore in sight is not very extensive. For the year ended December 31, 1914, surplus after charges was a little over $10,000. The clearing up of the Mexican situation, and the high price of silver, are recent favorable developments for this property. It has in the past years not proved itself to be a very good earner and while it may advance somewhat further with the other silver stocks, we do not particularly favor it.

Amer. Zinc

J. J., Worcester, Mass—American Zinc this year is expected to earn about $26 a share on its stock. It is, therefore, reasonable to suppose that this issue will be put on a dividend basis early in 1916. Dividends in the past have been quarterly, January, April, July, and October. The directors of the company ordinarily meet in March to declare the April dividend. They may, of course, meet at any time to declare a dividend.

Coppers

E. G., Waterville, N. Y.—Generally speaking, when copper metal is selling at an unduly high price it is not the time to purchase the copper stocks, as at that time large operators take the opportunity to distribute stocks to the public. Unless there is a runaway market in copper metal, we are inclined to think that the move in copper stocks is largely over.

Shannon Copper

F. A., Milwaukee, Wis.—There is nothing definite in regard to the settlement of the strike at the Shannon Copper Company mine, but recent reports from that district are more optimistic in tone. The opinion seems to be general that the strike is nearing its end. This more optimistic feeling in regard to the situation probably accounts for the recent rise in the stock.

Pitts. Coal Pfd.

B. A. C., Manchester, N. H.—Pittsburg Coal preferred, as you note, has about 43% back dividends accrued. That these will be all paid off in cash in the immediate future, however, is highly improbable. The company's policy in the past has been to pay out small amounts from the earnings from time to time. The present price of the stock appears to us to be high enough. It must be regarded more as a speculation than an investment.

Trinity-First National

C. S. B., East McKeesport, Pa.—There is some talk of Trinity Copper being merged with First National but whether this rumor is merely for stock market purposes, or whether the merger will be consummated, it is impossible to say. If you have a profit on this stock we think you would do well to take it, or at least protect your profit with a stop loss order.

Copper Stocks

J. A. S., Philadelphia, Pa.—The copper stocks have all had substantial advances except, perhaps, Cerro de Pasco which, however, was put out at a fairly high price. We do not favor purchasing the copper stocks when the metal is at an abnormally high level.

Crown Reserve

N. C., Kingston, Canada.—Crown Reserve Mining Co. has still a large part of its property undeveloped and is by no means a worked out proposition. The company owns the Porcupine Crown Mine which is a good producer. With the price of silver advancing, Crown Reserve should resume more active operations and will probably resume dividends on its stock in a short time. The company is in strong financial position and the present price of the stock is not very much above its liquidating value, plus ore blocked out.

Chile Copper

P. J., Uxbridge, Mass.—Chile Copper is capitalized at $110,000,000, of which $95,000,000 is stock, par value $25, and $15,000,000 is bonds, convertible into stock at par. Drillings so far have disclosed more than 300,000,000 tons of ore, and demonstrated the existence of at least 400,000,000 tons. The ore so far sampled averages 2.23% copper, but the management calls it 2% ore. Within a few months the company will be treating 10,000 tons daily. With copper at 15c this would mean earnings at the rate of $2.58 a year. Within a few years the company expects to be treating 30,000 tons of ore a day, which, with copper at 15c, would mean earnings of $7.73 annually for the stock.

Oil Inquiries

Ventura Consolidated

K. R., Boston, Mass.—Ventura Consolidated Oil Fields has 440,897 shares outstanding, par value $5.00. Its wells are situated in California. The company is producing about 2,000 barrels of oil daily. If the price of gasoline is maintained at its present high level, Ventura's earnings will be very satisfactory. Recently a new well was opened which is flowing at the rate of 250 barrels a day. Three new ones are expected to come in this month, which will increase production by at least 500 barrels. The company is too new to justify the expression of an opinion with any degree of emphasis. It seems to have the ear-marks of a solid enterprise, but until the company has demonstrated its earning power, it can not be regarded as other than a speculation.

Cosden Oil

E. H. G., Chicago, Ill.—Cosden Oil is the largest independent oil company in Oklahoma. It has outstanding $2,202,660 common stock and $200,000 10% cumulative preferred, par $5.00. The preferred is convertible into common stock at par. There are also $1,000,000 6% bonds convertible into common stock at $6.50. For the year ended November 30, 1914, the company earned $500,000, and for the year ended November 30, 1915, $700,000. Current earnings are on a constantly ascending scale, due to the high price of oil. This stock looks like a fairly good speculation.

Associated Oil

P. G. E., Washington, D. C.—Associated Oil for the year ended December 31, 1914, earned 3.39% on the capital stock. The company does a general business in the acquiring of oil properties, and the producing, manufacturing, refining and transportation of oil in California, and throughout the United States. The company owns 36,511 acres of California oil fields. The company's earnings are running way ahead and the stock appears to have good speculative possibilities.

Oil Merger Companies

J. B., N. Y. City—Mexican Petroleum and California Petroleum are being talked of in connection with a merger to include, in addition, the Associated Oil and Union Oil companies and other independent companies. The Pan-American Petroleum & Transportation Co., controlled by Doheny interests, is to be the holding company. As yet there is no definite details as to how the proposed merger is to be worked out. Recent advances in the stocks of Mexican Petroleum and California Petroleum, are a result of this merger talk. California Petroleum has $14,877,005 common and $12,343,026 preferred stock. There are $1,912,200 underlying bonds. For the year ended September 30, 1914, surplus after preferred dividends, was $212,542. Current earnings, due to the high price of oil, are very much larger. The company is not very strong financially. Mexican Petroleum has $37,689,000 common and $12,000,000 8% preferred stock. There are $4,681,700 bonds. For the year ended December 31, 1914, surplus after charges was $2,718,020. 1915 earnings will be very much larger and the companyy has closed contracts for delivery of oil in 1916 at prices which will yield profits of over 12% on the common stock. The oil wells of the company have shown a steady flow of oil for several years and there appears to be little likelihood of the supply petering out in the near future. On the other hand, the flow of oil from the California Petroleum wells has been an uncertain factor.

Houston Oil

W. F., Lancaster, Pa.—Houston Oil owns 800,000 acres of timber oil land in southwestern Texas and Louisiana. For the year 1914 the company produced 173,000 barrels of oil. Income from lumber sales for the year ended September 30, 1915, was $1,406,250. It is not yet known just how big a producer of oil this company will turn out to be, as the larger part of its property is undeveloped.

Sapulpa Refining

P. C. E., Washington, D. C.—Sapulpa Refining Co. has $400,000 common stock and $298,760 preferred, par $5.00. There are $200,000 first mortgage bonds. For the six months ended October 31, 1915, surplus available for dividends was $50,588, equal to about 9% on the common after allowing for the preferred dividend. The company's current earnings are showing steady increases and are running at the rate of 30% per annum on the common stock. The company's property consists of a modern refinery at Sapulpa, Oklahoma, with a daily capacity of 3,000 barrels of crude oil, which, it is expected, will be shortly increased to 4,000 barrels. The company also owns two pipe lines connected with the Glenn Pool, and it has large storage capacity for both crude oil and refined products. The company owns 94 steel tank cars.

S. O. of N. J.

E. B.,Pittsburgh, Pa.—Ever since the Standard Oil of New Jersey sold its pipe lines there have been rumors of a "melon" cutting. The stock has advanced considerably of late and if there is a "melon" shortly it is probably very well discounted in the price of the stock. There is nothing definite, however, as to when the "melon" will be cut.

TRADERS' DEPARTMENT

Universal Laws of Speculation

Sign Posts to Be Observed in Trading—When to "Run to Cover" and When to Stand Firm—Requisites of a Successful Market Operator

The rules here laid down were written and followed by Dickson G. Watts, one of the shrewdest and most successful cotton speculators this country has ever known. They apply with equal force to all markets. Although promulgated years ago, this is still recognized as a masterpiece on the subject of speculation.

The following "Universal Laws" are applicable to speculation as conducted on the exchanges of this country. These laws are two groups: laws absolute and laws conditional.

Laws Absolute

1. Never overtrade. To take an interest larger than the capital justifies is to invite disaster. With such an interest, a fluctuation in the market unnerves the operator, and his judgment becomes worthless.

2. Never "double-up"; that is, never completely and at once reverse a position. Being "long," for instance, do not sell out and go as much "short." This may occasionally succeed, but is very hazardous, for should the market begin again to advance, the mind reverts to its original opinion and the speculator "covers up" and "goes long" again. Should this last change be wrong, complete demoralization ensues. The change in the original position should have been made moderately, cautiously, thus keeping the judgment clear and preserving the balance of mind.

3. "Run quick" or not at all; that is to say, act promptly at the first approach of danger, but failing to do this until others see the danger, hold on or close out part of the interest.

4. Another rule is, when doubtful reduce the amount of interest; for either the mind is not satisfied with the position taken, or the interest is too large for safety. One man told another that he could not sleep on account of his position in the market; his friend judiciously and laconically said: "Sell down to a sleeping point."

Laws Conditional

These rules are subject to modification, according to the circumstances, individuality and temperament of the speculator.

1. It is better to "average up" (pyramid) than to "average down." This opinion is contrary to the one commonly held and acted upon; it being the practice to buy and on a decline buy more. This reduces the average. Probably four times out of five this method will result in striking a reaction in the market that will prevent loss, but the fifth time, meeting with a permanently declining market, the operator loses his head and closes out, making a heavy loss—a loss so great as to bring complete demoralization, often ruin.

But "buying up" is the reverse of the method just explained; that is to say, buying at first moderately and as the market advances adding slowly and cautiously to the "line." This is a way of speculating that requires great care and watchfulness, for the market will often react to the point of average. Here lies the danger. Failure to close out at the point of average destroys the safety of the whole operation. Occasionally a permanently advancing market is met with and a big profit secured. In such an operation the original risk is small, the danger at no time great, and when successful the profit is large. This method should only be employed when

an important advance or decline is expected, and with a moderate capital can be undertaken with comparative safety.

2. To "buy down" requires a long purse and a strong nerve, and ruin often overtakes those who have both nerve and money. The stronger the nerve, the more probability of staying too long. There is, however, a class of successful operators who "buy down" and hold on. They deal in relatively small amounts. Entering the market prudently with the determination of holding on for a long period, they are not disturbed by its fluctuations. They are men of good judgment, who buy in times of depression to hold for a general revival of business—an investing rather than a speculating class.

3. In all ordinary circumstances my advice would be to buy at once an amount that is within the proper limits of capital, etc., selling out at a loss or profit, according to judgment, being careful always to stop losses and let profits run. If small profits are taken, then small losses should be taken. Not to have the courage to accept a loss and to be too eager to take a profit, is fatal. It is the ruin of many.

4. Public opinion is not to be ignored. A strong speculative current is for the time being overwhelming and should be closely watched. The rule is to act cautiously with public opinion, against it, boldly. To so go with the market even when the basis is a good one is dangerous. It may at any time turn and rend you. Every speculator knows the danger of too much "company." It is equally necessary to exercise caution in going against the market. This caution should be continued to the point of wavering—of loss of confidence—when the market should be boldly encountered to the full extent of strength, nerve and capital. The market has a pulse, on which the hand of the operator should be placed as that of the physician on the wrist of the patient. This pulse-beat must be the guide when and how to act.

5. Quiet, weak markets are good markets to sell. They ordinarily develop into declining markets. But when a market has gone through the stages of quiet and weak to active and declining, then on to semi-panic or panic, it should be bought freely. When, vice versa, a quiet and firm market develops into activity and strength, then into excitement, it should be sold with great confidence.

6. In forming an opinion of the market the element of chance ought not to be omitted. There is a doctrine of chances—Napoleon, in his campaigns, allowed a margin for chances—for the accidents that come in to destroy or modify the best calculation. Calculation must measure the incalculable. In the "reproof of chance lies the true proof of men."

7. It is better to act on general than special information (it is not so misleading). General information includes the state of the country, the condition of the crops, manufactures, etc. Statistics are valuable, but they must be kept subordinate to a comprehensive view of the whole situation. Those who confine themselves too closely to statistics are poor guides. "There is nothing," said Canning, "so fallacious as facts except figures."

8. "When in doubt do nothing." Don't enter the market on half conviction; wait till the convictions are full matured.

9. I have written to little purpose unless I have left the impression that the fundamental principle that lies at the base of all speculation is this: Act so as to keep the mind clear, its judgment trustworthy. A reserve force should therefore be maintained and kept for supreme moments, when the full strength of the whole man should be put on the stroke delivered.

(Reprinted by request from the November, 1907 issue of The Ticker, which subsequently became The Magazine of Wall Street.)

How One Investor Makes Twenty Per Cent

EDITOR of THE MAGAZINE OF WALL STREET:

In past years you have published several articles showing how the investor may make fifteen or twenty per cent on his money, even though he pays for all his stocks outright and does not operate on the short side.

I imagine that many investors are skeptical about the possibility of doing this without taking undue risks. Investors have been trained for so long by nearly all financial publications to believe that the most that can be hoped for with safety is five, six or, at the outside, seven per cent, that they are apt to be suspicious of any plan that contemplates earning fifteen or twenty per cent on the capital employed.

It may interest you, therefore, to know that I have done this for a number of years. The method I have followed is partly my own idea but was suggested by reading your publication.

My idea is that: As we all know, the market has sharp declines from time to time that are not due to any real change in investment conditions but merely to the speculative situation or to some unreasonable scare. Why should not the investor take advantage of all such breaks?

The answer is that in many cases he is unable to do so because he already has his money tied up in securities. In fact, I suppose that is the principal reason why the breaks occur—most investors are not in a position to take advantage of them, hence their buying does not check the decline until it has gone far enough to bring in the big interests, who always have money available for real bargains.

Reasoning along this line, I asked myself how I could find myself in a position to buy on these breaks, which were pretty sure to come at least as often as twice a year. Evidently I would have to be out of the market before the break came, and the only way I could do that would be to take moderate profits without trying to hold my stocks for the top or for really high prices.

I decided that an intelligent way to do this would be to take ten *per cent* (not points) profit on all purchases, expecting to get two or three opportunities a year. In addition to this I would have any dividends that were declared while I was holding my stocks and would also have whatever interest I could get on my money while it was not tied up in stocks.

So far the idea has worked out very well. I buy only after a sharp break, such as we had on the sinking of the *Lusitania*, for example. When I think the break is over I buy, regardless of small fluctuations. After an active break the market generally turns dull at comparatively low prices, and that is my cue to buy. Of course I watch the money market and general conditions and try to use as good sense about buying my stocks as I would use in any other line of business. I pay no attention to tips or broker's advices and never buy after an advance.

Sometimes, of course, I miss my opportunity. This was the case when the *Arabic* was sunk. The market rallied so quickly that I did not get on board. Also, I do not begin to get out of the market all there is in it. During 1915 I would have made a great deal more by simply holding my stocks instead of selling out with ten per cent profit; but what I am looking at is the results year after year, on the average. In 1910, 1911, 1912 and 1913 I made my twenty per cent, while I would probably have lost money if I had held my stocks for a big advance.

I try to use as much judgment as I can about the selection of stocks. For several years I have done very little in the railroad stocks because the earnings of the railroad companies were unsatisfactory and they could not raise their rates. Good dividend-paying industrials and mining stocks have been my favorites.

Of course I would take less than ten

per cent profit if I thought there had been a real change in the investment situation so that I was not likely to get my ten per cent. I did this once only and then I was wrong, for if I had held on I would have got my ten per cent as usual. But I don't expect to be infallible. My plan gives me a chance to make some mistakes, for we usually get more than two of these breaks a year on the average and I also have something to count on from dividends and from interest on my money when it is not invested.

This plan would not suit a speculator, for it gives no opportunity for big profits. But for the investor of a cautious turn of mind I believe it is worth considering. It makes you a little tired to take ten per cent profit in a stock and then see it go up several hundred per cent, as some stocks have done this year, but on the other hand twenty per cent a year on the average contrasts favorably with ordinary dividends or interest. J. T. B.

Technical and Miscellaneous Inquiries

Odd-Lot Executions

C. H. H., Chicago, Ill.—In regard to the order on Tobacco Products, while the purchase of an odd-lot often is made at a somewhat higher price on the Curb than one hundred share lots, the difference should not be greater than 1/8 to 1/4 of a point as a rule. It would appear to us that you have a good case, and if your brokers refuse to give you satisfaction, we suggest that you take the matter up with the New York Curb Association.

Non-Delivery

B. B., Fulton, N. Y.—If you do not shortly receive your stocks from your broker, after having called his attention to the delay, we suggest that you write him a letter informing him that you will take the matter up with the U. S. Postal Authorities, and you will probably receive your stock in very short order.

"Rights"

C. D., Elmira, N. Y.—By the term "rights" is meant the privilege given a security holder to subscribe to more of the same security or to some other security, at a certain price. For example, United Fruit recently gave stockholders the right to subscribe to the new stock of the company at $120, at the rate of 1 share of new stock for each 3 shares held. As the stock is selling much above the price it is offered to stockholders, the "rights" are valuable. They are being traded in around $6½ for each "right."

"Switching" in Cotton

C. E. E., Cleveland, Ohio.—You can switch from your December cotton option to July but you will have to pay the same commission as though you sold out your December and purchased a new July contract. Your position will be practically the same by switching as it would be if you sold your December and purchased a July contract. Record is not kept of the number of bales of cotton traded in on the New York Cotton Exchange, or of the number of bushels of grain traded in on the Chicago Board of Trade. The amount is estimated from day to day.

United Fruit "Rights"

W. E. O., Somerville, Mass.—United Fruit Rights are selling at about $6½. At this price your stock will cost you, including all charges, $139.75, when you receive it April 20th. It figures out as follows:

1 share United Fruit	$120.00
3 Rights United Fruit @ 6½	19.50
Brokerage	.20
Interest @ 6% on instalments paid before delivery of stock	.05
	$139.75

The issuing of new stock to pay off notes or bonds is a form of financing that is often looked upon with favor, if the stock is sold at an advantageous price. The immediate effect is, generally, to cause a decline in the stock, as the floating supply is increased and offers a good opportunity for short selling.

Loan Rates

W. R. H., Richmond, Va.,—In regard to loan rates for stocks, they are principally governed by two factors—the call money rate, and the borrowing demand. For example, if a broker wants to borrow 100 shares of Anaconda, he will pay for the stock and receive, as interest on his money while he holds the stock, whatever the loan rate is. Under normal conditions it will be close to the call money rate. If there is a large short interest in the stock, the borrowing demand will naturally be heavy and will cause the loan rate to be lower. When the stock is loaned "flat"

it means that the broker who borrows it will not receive any interest on his money. When a stock is loaned at a premium the borrower must pay for the use of the stock besides receiving no interest on his money. This latter occurs when there is a large short interest and the supply of stock available for borrowing is small.

Railroad Bankers

Who are the bankers for some of the leading railroads? H. J., Northport, N. Y.

Some of the important roads for which J. P. Morgan & Co. are bankers, are Southern Railway, N. Y. Central, New Haven, Atlantic Coast Line, Seaboard Air Line, Atchison, Erie and the Hill roads. Kuhn, Loeb & Co. are bankers for Southern Pacific, Union Pacific, Pennsylvania, and Missouri Pacific.

Safety and Savings Banks

May one obtain 4% to 5% with safety from savings banks?—W. C., Milwaukee, Wis.

You can with reasonable safety obtain 4% on your deposits with the savings banks. Of those which pay as high as 4%, we might mention the Seaman's Bank for Savings, the East River Savings Institution, or the Emigrant Industrial Savings Bank, all of this city, as being reliable institutions.

Dividend Dates

I own some Anaconda stock which I bought October 15. Am I not entitled to the last dividend? J. S., East Liverpool, Ohio.

Anaconda's last dividend of 2% was payable to stockholders of record October 23, so if you bought stock previous to that date you are entitled to the dividend. The dividend was not payable, however, until November 29. The office of the company is at 42 Broadway, New York City.

Margins or Puts and Calls?

Do you consider puts and calls a good way to speculate in stocks? What is your opinion of a 60 day call for 50 shares of Erie common 4 points away for $90?—D. E., Webster, Mass.

We are of the opinion that trading on margin offers better possibilities for profit than the use of puts and calls. These, however, can sometimes be used to good advantage as insurance against loss on your market commitments. A 60 day call on 50 shares of Erie four points away at $90 does not appear especially attractive to us. We think Erie has advanced sufficiently to discount the improved earnings of the company. In our estimation it is still a long way from dividends.

Wall Street Jottings

Market Digest for Investors

Market Digest, of value and timely interest to investors, has just been issued for free distribution by Alfred H. Ebert & Company, Investment Bankers, 50 Broadway, New York City.

Prospects of Cities Service Preferred

A special letter that has just been issued for free distribution by Williams, Troth & Coleman, Investment Bankers, 60 Wall St., New York, discusses the outlook for Cities Service preferred stock.

New Circular on Carwen Steel

E. Bunge & Co., investment brokers, 44 Broad street, New York, have prepared for distribution to investors an interesting circular on the Carwen Steel Tool Company.

Amer. Smelting & Refining Outlook

A. A. Housman & Company have published a circular on American Smelting & Refining Company. The circular discusses the outlook for the coming year and points out the effect of the present high prices for the different metals on the Company's earnings.

Municipal Bond Offerings

Sidney Spitzer & Co., dealers in Municipal Bonds, 115 Broadway, New York City, have issued for distribution a circular for investors describing 43 different Municipal Bond Offerings, yielding attractively, of suitable maturities and exempt from Federal Income and State Tax.

New Investment Firm

Porter Fearey, formerly associated with H. M. Byllesby & Co., and manager of the Bond Department for White & Co., New York City, during the last two years, has opened offices in the Mechanics and Metals National Bank Building, 20 Nassau street, New York City, where he will transact an investment business, specializing in gas and electric lighting company bonds and preferred stocks.

Removal of A. H. Martens & Co.

A. H. Martens & Co., investment bankers, have removed their New York offices from 60 Broadway to the new Adams Express Building, 61 Broadway. The firm, which are members of the Toronto Stock Exchange, have also offices in Toronto, Canada and Chicago.

COTTON AND GRAIN

New Factors in Cotton

By C. T. REVERE

PROBABLY at no time since the war began, has the cotton trade been more at sea regarding the course of prices than it is at present. In normal times it is possible to take account of the statistics of supply and demand, the state of trade and other commercial factors, and come to some conclusion as to whether the commodity is too high or too low. It is true that such conclusions may be erroneous, but at any rate there is a basis for calculation, and that is all that is necessary, for the formation of a positive option.

Just now, however, the factors in the making of prices are so unusual that it is almost impossible to tell what value should be given them. Looking at statistics and the elements of supply and demand, the situation presents figures of almost unanimous bearish import.

On January 1 the amount of visible cotton in Europe and afloat for Europe amounted to 1,546,000 bales. The amount of cotton on hand in the North was 348,000 bales, while the South held 9,043,000 bales. Thus it will be seen that the South is carrying an extraordinarily large proportion of crop, and it will have to dispose of a great deal of these holdings before planting time, or risk the sale in competition with offerings from another crop.

Exports thus far this season amount to only 2,543,000 bales against 3,088,000 bales last year. With the ocean freight rate on cotton from New York to Liverpool held at $15 per bale, compared with $1 to $1.25 per bale in normal times, it becomes apparent immediately that the difficulties attending the exportation of cotton are enough to make the staunchest bull waver in his allegiance to the cause of higher prices. At present it costs about $22 per bale to ship cotton from Texas to Liverpool. The high cost includes freight rates, insurance rates, war risks and loss in exchange.

As a result of the high cost of exportation, Liverpool is running away from the American markets. The January-February option in Liverpool has sold at a premium of more than 365 points above January in New York. The price of American Middling in Liverpool went to the equivalent of 16.70c. per pound. This brought in another complication. English spinners could not go on paying this price for cotton and hope to compete in the goods markets of the world with American manufacturers. There was certain to be an outcry from Lancashire concerning the cost of raw material, which has been brought about indirectly by the policy of the British Government.

This is probably because early last Fall when English merchants started to use the usual supply of cotton the British government warned them against making large purchases on account of the burden it would impose in the way of supporting foreign exchange. In addition to this, ships which were scheduled to carry cotton were ordered to fill a large portion of their space with wheat instead of cotton. It was assumed quite naturally that there would be an ample supply of cotton which would be available for the English spinners at any time.

As a result of this policy the Liverpool stock has run down until it is only about 550,000 bales compared with 750,000 bales two years ago. Moreover, the amount of cotton afloat which will be needed for replenishment is far below the figures of any recent year.

It has been felt that the British government probably would be stirred to action by Lancashire protests and

let down the bars so that more cotton could be imported. On this theory it would be reasonable to assume that prices in Liverpool would decline, and also that prices in America, as a result of the increasing outlet would advance.

Bears, however, have been quite ready with the argument that while the exportation of cotton might increase this outlet, it had already been anticipated by prior purchases made by the representatives of English importers and spinners in this country.

Meantime, the consumption of cotton in the United States is making new high records. The December consumption of American mills reached a total of 550,000 bales compared with 451,000 bales for December, 1914. The total American mill consumption, figuring from August 1 to date, is 2,532,000 bales against 2,122,000 bales last year. At present, consumption in America is running on a basis of about 6,700,000 bales exclusive of linters, and while predictions have been made that the total will be in excess of 7,000,000 bales, the figures look quite high.

The textile business of the United States is now as near to 100 per cent. capacity as it has ever been in history. The surprising feature thus far has been the limited amount of goods exported. The quantity probably does not represent over six per cent. of the production of American mills, and it is a question whether domestic buying power is going to be sufficient to absorb such an enormous output.

One interesting development in the last two weeks has been the tendency among the Southern Cotton Exchanges to call for the repeal of Section 11 of the United States Futures Act. Resolutions have already been adopted by the Charleston, Memphis and Savannah Cotton Exchanges for the repeal of the objectionable section, urged on the ground that it gives European importers a chance to hedge in the Liverpool market, while American shippers, who ordinarily would have been willing to consign cotton to Liverpool at the prevailing differences, have been debarred from this operation simply because they could not make hedge sales in the market of destination.

The sentiment of the trade is bearish on the theory that the South will not hold its big accumulations and risk the planting of a large acreage. The South, on the other hand, contends that it will hold as banks are willing to accept cotton for collateral at reasonable rates of interest. It is contended moreover that the acreage will not be excessive on account of the high price and poor quality of fertilizer, which will militate against a large crop.

Market Statistics

		Dow Jones Averages 12 Inds.	20 Rails.	50 Stocks High.	Low.	Total Sales.	Breadth (No. issues).
Monday, January	3	127.77	107.76	91.87	90.57	1,055,300	204
Tuesday, "	4	128.19	107.50	91.77	90.52	859,300	217
Wednesday, "	5	127.02	107.32	90.89	89.65	876,700	195
Thursday, "	6	120.62	106.75	89.78	88.79	794,300	205
Friday, "	7	125.34	107.13	89.70	88.57	810,300	203
Saturday, "	8	125.71	107.36	90.31	89.44	367,700	181
Monday, "	10	124.38	106.54	89.94	88.51	658,100	190
Tuesday, "	11	122.50	106.18	88.83	86.78	825,900	219
Wednesday, "	12	125.09	106.69	88.41	87.03	701,300	204
Thursday, "	13	125.29	106.48	88.85	87.92	518,200	195
Friday, "	14	126.34	106.79	89.95	88.34	655,500	191
Saturday, "	15	126.12	106.73	90.57	89.41	398,100	176

Wheat's Statistical Position Strong

By P. S. KRECKER

AMONG bearish influences conspicuous attention has been paid to the heavy movement of wheat to primary points. This movement is reflected in the increase in visible supplies which now are about on a plane with those of a year ago, whereas they had been running well behind. Receipts of wheat at interior points are heavy, running at a rate more than 30 per cent. ahead of the corresponding period of last year. There is a substantial reason for this sudden increase in movement which is not peculiar to the United States but also applies to Canada. Last Fall, when the market was under the sentimental influence of the huge wheat yield, farmers were lucky if they could get 75 cents a bushel for their wheat on the farms. Since that time the futures markets have advanced almost 40 cents a bushel and farmers now are experiencing no difficulty in obtaining a dollar a bushel for their product. They had been holding for that price and now that they are getting it they are satisfied and are letting go.

It is quite probable that this interior movement will continue heavy for several weeks to come and during that period an increase in visible compared with last season should cause no surprise. Whether this situation can be justly regarded as more than temporarily bearish seems to be disposed of quite effectually by estimates of farm reserves by such an authority as B. W. Snow. He estimates that wheat on the farm in bulk, regardless of quality, totals 338,000,000 bushels, or 33.4 per cent. of the crop. But he contends that only 281,000,000 bushels of this is merchantable wheat, there being on the farms 57,000,000 bushels of wheat which has no merchantable value. This reduces the merchantable supply of wheat on the farms below last year's total and with commercial stocks makes a grand total of about 400,000,000 bushels, out of which all further requirements must be met. Domestic food and seed needs for the next six months are estimated at 295,000,000 bushels which, provided his estimate of reserves is correct, would leave only 105,000,000 bushels available for export and visible stocks.

Exports for the six months last year ended with June 30 were 154,000,000 bushels, and are likely to be even larger for the corresponding period this year, as they are now running 35 per cent. ahead of last season. Should that rate of gain be maintained, export requirements would run close to 200,000,000 bushels, or larger than the apparent supply. Without accepting unquestioned the statistics here arrayed, it is apparent that they point to an exceedingly bullish underlying situation and on second thought turn into a bullish argument the heavy movement of wheat from the farms to primary markets.

Export demand continues urgent. The situation continues serious in various European importing countries, as evidenced by the drastic steps taken to remedy it. Thus Italy has been forced to commandeer public stocks of wheat in that country and to suspend indefinitely the import duty exacted on wheat with a view to stimulating importations. Foreign arrivals are reported to be falling behind consumption, a condition which assures further heavy importations. Spain has also been forced to lift the import duty on wheat to the extent of 7,000,000 bushels. Great Britain has voiced her anxiety over the import situation by imposing rigid restrictions on shipment of cargoes so as to provide for a large percentage of wheat. It has developed that England's importations have not

kept pace so far with those of last year, in spite of the extraordinarily large export movement from this country. The result is that Great Britain since August 1, 1915, has imported 16,000,000 bushels less than last year, when her supplies were heavily augmented at the outset of the season by seizures of enemy cargoes. It has recently been impossible to get full cargo grain boats excepting with the proviso that they take 75 per cent. wheat, while it is believed in ocean freight circles that ship owners of regular line boats have been urged to take 50 per cent. wheat, although so far as known no direct order has been issued by the British Admiralty.

Ocean freight congestion appears to be growing worse instead of better. The result is that, while estimates of wheat surplus of Argentine and Australia have been increasing of late, rates of transportation are so high as to be almost prohibitive and North America must continue to be the immediate and largest source of supply.

Consumption of wheat by domestic mills is reaching record volume and constitutes a bullish factor which frequently is overlooked. Statistics compiled by the *Northwestern Miller* are well worth citing: Flour output of three principal northwestern mill points for the period September 1 to January 8, is the heaviest ever known Thus Minneapolis has produced 8,410,000 barrels, compared with 6,451,000 for the corresponding period last season, 6,783,000 two years ago and 7,371,000 three years ago. Duluth has produced 653,000 barrels against 525,000 in 1914-15, 533,000 in 1913-14, and 495,000 in 1912-13. Milwaukee has ground 392,000 barrels compared with 238,000 last season, 289,000 in 1913-14 and 336,000 in 1912-13. The total outturn for the three points under consideration has been 9,455,000 barrels, an increase of 2,241,000 barrels or more than 30 per cent. compared with last year, and of 1,253,000 barrels or 13 per cent. compared with 1912-13, the largest previous season in recent years. This steady consumption on an extraordinary scale by domestic flour mills is one of the underlying factors of strength in the market, which are none the less important because frequently unrecognized.

Severe weather in the unprotected winter wheat belt recently injected a new element into the market, reflected in relative strength of the July option which has sold at new high record prices for the season. The tendency in such cases invariably is to attach undue significance to damage done. Already comparisons are made with periods in the past when winter wheat was blasted by severe freezes while uncovered with snow. What if any harm has been done is problematical. It is well to remember that mid-winter weather to wheat is a lesser danger than early spring weather, when alternative freezes and thaws are to be feared. At the same time the wheat market is certain to be more sensitive this year to damage reports than it was twelve months ago, because of the known reduction in planted area and the inferior condition of the plant compared with a year ago. With an estimated reduction in acreage of 15 per cent. and a condition below the average, the indicated yield is more than 100,000,000 bushels smaller than 1915, according to latest government statistics. Any calamity to wheat under those circumstances would be exceedingly serious. This possibility will be before the trade throughout the growing season as a bullish influence.

IF you would be successful in the business of making money, read, study and think. Then do it some more and never stop doing it.